TZH

TRIZECHAHN CORPORATION

2000

Annual Report

OUR COMMITMENT TO SHAREHOLDERS

IS TO FOCUS ON THE CORNERSTONE OF OUR BUSINESS, THE U.S. OFFICE PORTFOLIO.

The core of our business, and our greatest revenue source, this portfolio of premier U.S. office properties has significant room to grow – upside potential that we will cultivate in the years to come.

Our plan is simple and clear:

1. Focus on enhancing our core U.S. office business
2. Realize the value in non-core business
3. Nurture technology center initiative

ON THE COVER:

1 BANK OF AMERICA PLAZA COLUMBIA, SC
2 CULLEN CENTER, CONTINENTAL CENTER I HOUSTON, TX
3 250 WEST PRATT STREET BALTIMORE, MD
4 THE GRACE BUILDING NEW YORK, NY
5 SEARS TOWER CHICAGO, IL
6 ERNST & YOUNG PLAZA LOS ANGELES, CA
7 RENAISSANCE TOWER DALLAS, TX
8 ESPERANTÉ OFFICE BUILDING WEST PALM BEACH, FL

CONTENTS:

HIGHLIGHTS 2000

- Christopher Mackenzie appointed as Chief Executive Officer to increase shareholder value by: focusing on and enhancing the U.S. office portfolio; streamlining overall operations; divesting non-core assets; and nurturing the global technology center investment
- Wholly-owned U.S. office properties subsidiary elected to be taxed as a U.S. REIT commencing in 2001
- TrizecHahn re-purchased 10.7 million shares for $172 million

PROACTIVE ASSET MANAGEMENT

- Approximately $2.00 per square foot increase in net rental rates on re-leasing of space, a 16% increase over in-place rents, primarily from improved leasing activity in New York, Houston and Chicago
- 8.2 million square feet leased
- Occupancy increased from 90.8% to 93.6%
- Completed three office developments totaling 560,000 square feet

DIVESTITURE PROGRAM

In an effort to cull the portfolio of mature/non-core assets and focus on core business activities:

- 24 Canadian assets sold for $1.3 billion
- 12 U.S. office properties sold for $436 million
- Sold Number One Poultry in London, England

TECHNOLOGY CENTER INVESTMENT

- TrizecHahn together with Chelsfield plc purchased two-thirds interest in Global Switch S.à.r.l., a leading global, carrier-neutral, infrastructure services provider – TrizecHahn completed initial equity investment of $160 million
- In conjunction with Global Switch, TrizecHahn advanced the execution of global technology center strategy

TRIZECHAHN CORPORATION, one of the largest public real estate companies in North America, has ownership interests in and manages a high-quality portfolio of 77 U.S. office properties totaling 50 million square feet concentrated in the central business districts of seven major cities. It also has interests in retail/entertainment properties in the United States and Europe, a global technology center business, and several properties in Canada. The Company trades on the New York and Toronto stock exchanges under the symbol TZH.

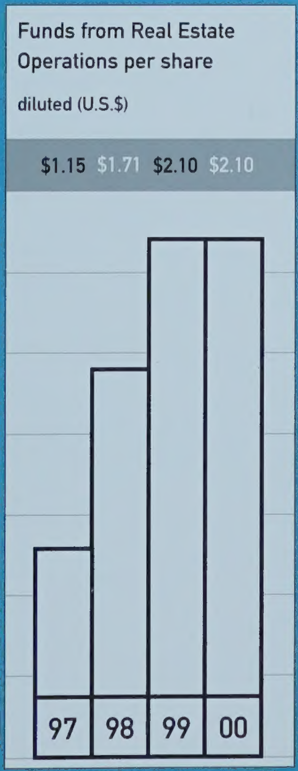
FINANCIAL HIGHLIGHTS

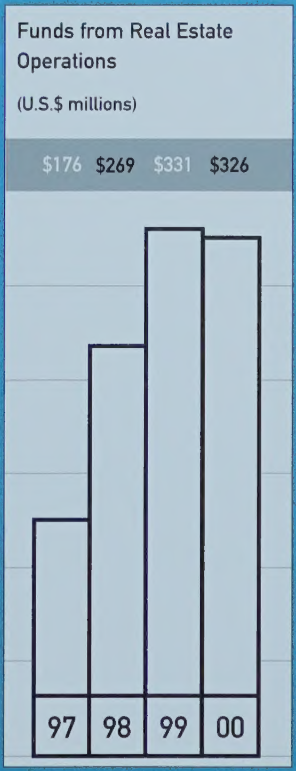
All dollar amounts shown in this report are in U.S. dollars unless otherwise noted.
(U.S.$ millions, except per share amounts)

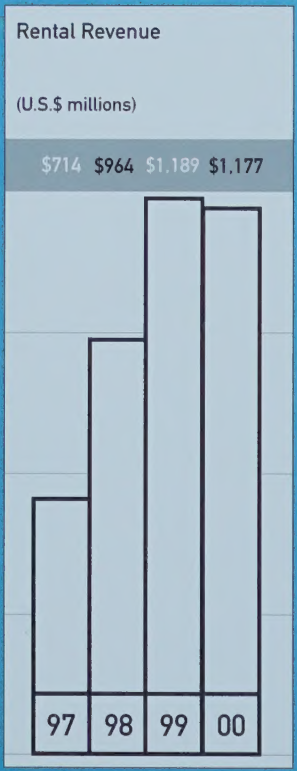
	1997	1998	1999	2000
Rental Revenue	$ 714	$ 964	$ 1,189	$ 1,177
Rental Income	396	542	653	656
Funds from Real Estate Operations	176	269	331	326
Per share, diluted	1.15	1.71	2.10	2.10
Net Income	48	530	94	222
Per share, diluted	.31	3.37	.60	1.43
Total Assets	$ 5,875	$ 7,642	$ 8,460	$ 7,407
Shareholders' Equity	1,653	2,099	2,225	2,125

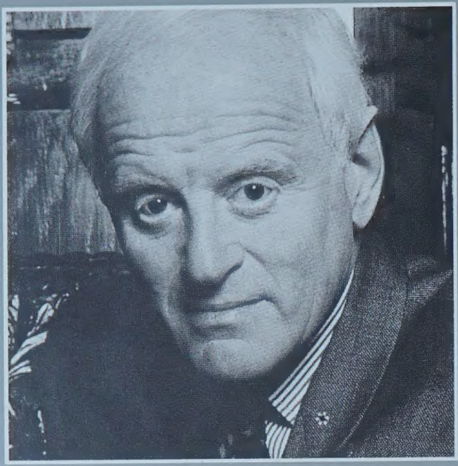
(Calculation of diluted per share amounts based on treasury stock method)

Financial results in 2000 were impacted by the disposition of virtually all of the Canadian office portfolio, and other assets no longer considered strategic to the Company.









LETTER FROM THE CHAIRMAN

Peter Munk, Chairman

THE PAST YEAR HAS BEEN ONE OF TRANSITION AND CHANGE FOR TRIZECHAHN. WE RESOLVED TO RETURN TO OUR BASE BUSINESS. WE ARE NOW SINGLE-MINDEDLY FOCUSED ON MAXIMIZING THE VALUE OF OUR MAJOR ASSET: OUR HIGH–QUALITY OFFICE PORTFOLIO IN KEY CITIES OF THE UNITED STATES. TO SIMPLIFY OUR OPERATIONS AND CREATE ADDITIONAL VALUE FOR OUR SHAREHOLDERS, OUR NON-U.S. OFFICE ASSETS WILL BE SOLD OR DISTRIBUTED TO SHAREHOLDERS. THIS INCLUDES OUR INVESTMENT IN GLOBAL SWITCH, ONE OF THE WORLD'S LEADING DEVELOPERS AND OPERATORS OF TECHNOLOGY CENTERS.

I AM CONFIDENT that the result of this new and focused strategy, to which we will strictly adhere, will be a share price that fairly reflects the value of TrizecHahn's underlying assets. This kind of stock performance has always been my top priority.

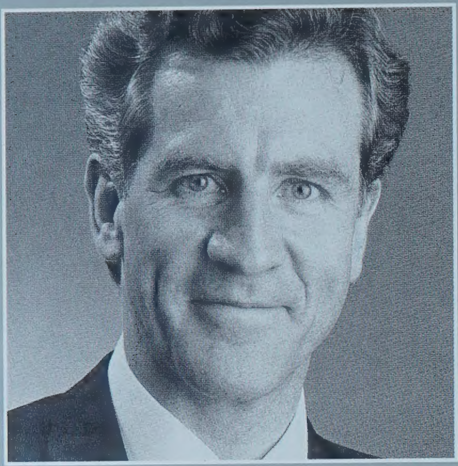
OF COURSE, FOR our ambitious new strategy to succeed, effective execution is vitally important. For that reason, we decided to bring on board a new executive with the energy, vision and commitment to accomplish the task at hand. In January 2001, Christopher Mackenzie was named the new Chief Executive Officer of TrizecHahn. He offers experience, professionalism and an exceptional track record for delivering value. It goes without saying that he has my own and my Board's full support in his task of regaining broad investor confidence and unlocking the inherent value of our assets.

IN ADDITION TO the skills that Christopher brings, TrizecHahn has an outstanding team of top-quality, creative and dedicated executives and managers; one of the best and most extensive office portfolios in North America; and strong financial resources. In short, we have what it takes to accomplish our objectives.

I, PERSONALLY, REMAIN fully committed to TrizecHahn. As the Company's founder and Chairman of the Board, I continue to concentrate on our corporate strategy and I remain a major shareholder. However, my new role is as Chairman, and it is clearly distinct from the role of Chief Executive Officer. While Christopher and I are working closely as a team, we believe our Company's performance and its governance are enhanced by splitting the job of Chairman and Chief Executive between two complementary, committed people.

FOR ALL THE changes taking place at TrizecHahn, our goal remains unchanged from when I started the Company – to create value for shareholders. We are well positioned to achieve that goal.

Peter Munk
Chairman
March 9, 2001



LETTER TO SHAREHOLDERS

Christopher Mackenzie,
Chief Executive Officer, President
and Deputy Chairman

WHEN I JOINED TRIZECHAHN ON JANUARY 1, 2001, THE CHALLENGE WAS CLEAR. DESPITE STRONG FINANCIAL PERFORMANCE IN RECENT YEARS, TRIZECHAHN HAD NOT DELIVERED ACCEPTABLE RETURNS TO SHAREHOLDERS. THERE WERE DOUBTS ABOUT OUR DIRECTION AND OUR ABILITY TO FOCUS AND GENERATE PROFITABLE GROWTH.

PETER MUNK LAID THE FOUNDATION OF TRIZECHAHN, AND, UNDER HIS LEADERSHIP, THE COMPANY BUILT A STRONG ASSET BASE WITH SUBSTANTIAL FINANCIAL RESOURCES. THE STRATEGY WE'RE IMPLEMENTING IS DESIGNED TO UNLOCK THIS SIGNIFICANT VALUE FOR ALL SHAREHOLDERS.

Our Strategic Plan, in Action

■ TZH'S STRATEGY, WHICH reflects the Company's core strengths and our analysis of key growth opportunities, has three elements:

.1 Focus on the core U.S. office business, which represents 80% of TZH's assets

.2 Divest non-core assets in Europe, Canada and the United States

.3 Create value from the investment in technology centers

■ AS A MANAGEMENT team, we are focusing our energy, expertise and resources to execute this strategy. The goal is to restructure the Company to deliver stable earnings and cash flows, and strong, profitable growth from the U.S. office portfolio. Our commitment is to be responsive and transparent as we move through this process of transformation. I am confident that TZH will emerge as a much stronger real estate company with outstanding prospects.

U.S. Office – Core Strength

■ TZH'S U.S. OFFICE portfolio is one of the best in the industry – we own 42 million square feet of predominantly Class A assets in prime downtown locations and in seven of the ten highest job-growth cities in the United States.

■ WITH A SHARPENED focus on our U.S. office business, we plan to accelerate the progress the Company made in 2000, when we:

- Achieved same-property NOI growth of 8% and same-property revenue growth of 6% versus same-property expense growth of 4%;
- Leased an impressive 8.2 million square feet of office space with an average rental uplift of approximately $2.00 per square foot, a 16% increase over average in-place rents; and
- Increased occupancy to 93.6% from 90.8% the previous year.

AS PART OF OUR STRATEGY to focus on TZH's core U.S. office portfolio, we are divesting assets in Europe and Canada, as well as retail/entertainment properties in the United States, prudently and methodically over time, to maximize the value of the Company's high-quality assets.

IN 2001, WE are building on this success by seizing opportunities for growth, and by improving the efficiency of our operations. Despite the challenge of a softening economy, TZH's properties offer substantial internal growth potential:

- Market net rents are 37% above in-place net rents, presenting opportunities to increase rents as leases expire on over 13% of our space in each of 2001 and 2002;
- Occupancy is 2% below stabilized levels;
- We will streamline operations to eliminate inefficiencies and drive down operating costs; and
- We are expanding revenue sources by providing our customers with a broad range of high-quality, cost-effective services including technology and telecommunications access over fiber and wireless networks.

Divesting Non-Core Assets to be a U.S. Office Leader

AS PART OF our strategy to focus on TZH's core U.S. office portfolio, we are divesting assets in Europe and Canada, as well as retail/entertainment properties in the United States, prudently and methodically over time, to maximize the value of the Company's high-quality assets.

IN 2000, WE made considerable progress by selling virtually all of our Canadian portfolio for $1.3 billion and several low-growth U.S. properties for $436 million. Also in 2000, we began our European dispositions with the sale of Number One Poultry in London, England. In 2001, we will continue to execute the European, Canadian and non-core U.S. divestiture strategy.

OUR U.S. RETAIL/ENTERTAINMENT projects are impressive. TZH is a clear leader in developing these properties, which are on track to achieve target returns based on strong pre-leasing activity. These include Desert Passage, which opened in Las Vegas in August 2000 and has been experiencing very successful initial operations, now welcoming an impressive 18 million visitors on an annualized basis, as well as Hollywood & Highland and Paseo Colorado.

HOLLYWOOD & HIGHLAND, the new home of the Academy Awards® ceremonies in Los Angeles, is a spectacular development comprising 425,000 square feet of retail space, a 180,000 square foot theater, a 40,000 square foot ballroom, and a 640-room hotel. The project is scheduled to open at the end of 2001 – pre-leasing activity indicates strong initial operating results. TZH's 565,000 square foot Paseo Colorado project in Pasadena will open in September 2001. It is already 87% leased with an impressive list of high-quality tenants. We are committed to completing these developments and realizing their full value over time as operations are stabilized.

WE ARE ESTIMATING that aggregate proceeds from the sale of TZH's non-core assets will generate $1 billion after repaying the property-specific debt.

THE TECHNOLOGY CENTER SECTOR has a large and growing market opportunity to provide mission-critical services to the telecommunications and technology industries. Despite recent volatility in the high-tech market, carriers will continue to expand their worldwide requirements for these city-by-city technology centers by over 20% per annum, particularly in Europe and Asia-Pacific.

Technology Center Investment

WE HAVE INVESTED in building a technology center business both through a one-third stake in Global Switch and directly through technology center developments in North America. The technology center sector has a large and growing market opportunity to provide mission-critical services to the telecommunications and technology industries. Despite recent volatility in the high-tech market, carriers will continue to expand their worldwide requirements for these city-by-city technology centers by over 20% per annum, particularly in Europe and Asia-Pacific.

GLOBAL SWITCH IS well positioned in London at its first facility, Global Switch London I, and will capture further growth in an adjacent second facility. On the European Continent, the projects to which Global Switch is committed will result in leading positions in Frankfurt, Amsterdam and Paris. In Singapore and Sydney, Global Switch has the potential to be among the first providers in the market.

WITH RESPECT TO TZH's North American technology center developments, we are currently evaluating our options in light of the industry environment and alternative opportunities.

Corporate Culture and Communications

OUR AIM IS to build a corporate culture at TZH that is founded on motivating all team members by identifying and rewarding excellent performance in an environment of respect and integrity – so that there is a total commitment to delivering shareholder value. A priority is to improve communications with all TZH's colleagues, shareholders and customers. I am personally committed to ensuring that the Company is more open, transparent and responsive.

TZH IS EMBARKING on an exciting new path, focused on its core business. Out of Peter Munk's vision, a solid foundation was created, and we owe him a deep debt of gratitude. In our new clearly-defined, separate roles of Chairman and Chief Executive, we are working together as a team.

I LOOK FORWARD to the future with confidence. The strategy is to sharpen our focus on what we do best, and firmly establish TZH as a leading U.S. office company generating exceptional results. We are committed to building a platform for growth. And while much remains to be done, I am encouraged by the progress to date – and excited about our potential. Most of all, I am convinced that we have a plan and the expertise to drive value for TZH's shareholders.

Christopher Mackenzie
Chief Executive Officer, President and Deputy Chairman
March 9, 2001

1

THE CORNERSTONE

On Our Core Business –
fice Portfolio

NEW YORK, NY

THE U.S. OFFICE PORTFOLIO IS THE CORNERSTONE OF OUR BUSINESS, CONSISTING OF PREDOMINANTLY CLASS A LANDMARK PROPERTIES TOTALING 50 MILLION SQUARE FEET. OVER 75% OF TRIZECHAHN'S ASSETS ARE LOCATED IN CENTRAL BUSINESS DISTRICTS (CBDs) AND IN SEVEN OF THE TOP TEN JOB-GROWTH CITIES IN THE UNITED STATES. THE COMPANY'S DIVERSE BASE OF STRONG CREDIT TENANTS INCLUDES AMERICAN EXPRESS, BANK OF AMERICA, GENERAL MOTORS, PRUDENTIAL SECURITIES, AT&T, GOLDMAN SACHS AND HBO – FOR WHOM OUR SIZE, REACH AND SIGNIFICANT PRESENCE IN CORE MARKETS ENABLE US TO BETTER SERVE THEIR NEEDS. TRIZECHAHN IS COMMITTED TO BEING THE "LANDLORD OF CHOICE".

■ **DURING 2000, FAVORABLE** economic trends in the United States drove business expansion and increased demand for office space. TrizecHahn leased 8.2 million square feet of U.S. office space, resulting in an occupancy increase of 2.8 percentage points to 93.6% for the total portfolio, and same-property NOI growth of 8%. Despite this strong performance, at year end, market net rents were approximately 37% higher than in-place net rents – an opportunity to drive growth from increased occupancy, lease expiries and terminations.

Driving Growth Through Proactive Asset Management

■ **IN 2000, TRIZECHAHN** focused on asset management initiatives to enhance the value of the portfolio. The Company aggressively leased up vacant and expiring space, generating nearly two million square feet of net occupancy gain, while providing innovative and proactive solutions for space, location and amenity requirements to minimize vacancies and increase rental revenue.

SEARS TOWER, CHICAGO, IL

U.S. Office Portfolio

■ **IN NEW YORK**, the Company achieved 99.5% occupancy and same-property NOI growth of 9%, with high-quality tenants such as Prudential Securities, who have long-term leases in the 2.5 million square foot One New York Plaza. This supply-constrained market provides a significant opportunity to capture market net rents, which are 110% above the Company's existing net rents. In Chicago, Computer Discount Warehouse took occupancy of 145,000 square feet at 10 and 120 South Riverside, an indication of strong leasing, and the Sears Tower, Chicago's landmark property, is 97.0% occupied. In the dynamic Washington, D.C. market, the Company developed and leased 410,000 square feet at Beaumeade Corporate Park and One Reston Place, ending the year with an overall occupancy of 97.9%.

■ **LEASE TERMINATIONS PROVIDED** the Company with the ability to capture the significant upside of increasing its in-place net rents to market rents sooner. During the year, approximately one million square feet of lease terminations were executed, resulting in net rents increasing an average of $6.00 per square foot and lease terms extending by an average of approximately three years, while generating termination fees of $6 million from outgoing tenants. At One New York Plaza, the Company recaptured 40,000 square feet with ten years remaining, and re-leased this space with an uplift of $22 per square foot or approximately $900,000 annually. In the 262,000 square foot Bethesda Crescent complex in Maryland, the anchor tenant outgrew the building, and the Company aggressively re-leased 100% of the space within three months at rental rates 15% above the former rate.

■ **TRIZECHAHN'S PROACTIVE** "blend and extend" strategy enabled the initiation of early lease renewals at rates that blend the rents of the current lease with the rents for the renewal term. At The Grace Building in New York, the

CULLEN CENTER,
CONTINENTAL CENTER I
HOUSTON, TX

Company successfully negotiated the early lease renewal of an anchor tenant, resulting in significantly increased rents during the remaining term.

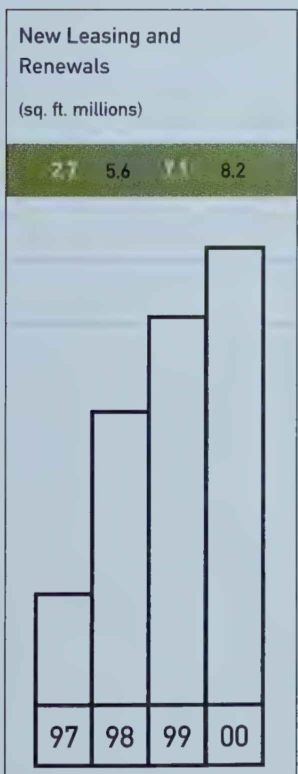
BEING A SOLUTIONS-ORIENTED "Landlord of Choice" is critical to developing and cultivating relationships. In 1999, Allstate Insurance was reviewing space options in the Chicago CBD and decided to take space in 120 South Riverside because of our commitment to upgrade the asset. This led to Allstate approaching us with an extremely time-sensitive requirement for a call center in Atlanta. We agreed within six weeks to develop 3100 Interstate North Parkway – a 150,000 square foot facility in our Interstate North Parkway office park – and we delivered the asset in January 2001. This win-win situation was made possible by TrizecHahn's nationwide relationships and local real estate strengths.

TRIZECHAHN CONTINUED TO enhance assets within the portfolio to drive value. In Chicago, the Company completed the repositioning of 10 and 120 South Riverside and Two North LaSalle, updating these properties, which were originally built in 1967 and 1979, respectively, with new mechanical, HVAC, sprinkler, security and fire alarm systems, as well as lobby and elevator upgrades – enhancements that attracted high-quality tenants such as Allstate, Hartford Insurance and Computer Discount Warehouse. In Houston, we renewed a lease in the Allen Center complex with a premier sports club and resort operator, who committed the capital necessary to renovate the 125,000 square foot Metropolitan Racket Club into a state-of-the-art athletic and dining facility. Our majority ownership share in a vacant hotel in the Cullen Center was sold to a partner who will renovate and re-open the property as a Crowne Plaza in April 2001.


THE GRACE BUILDING, NEW YORK, NY

■ **DURING 2000, TRIZECHAHN** created additional value by commencing development on one million square feet of our 7.5 million square foot land bank of buildable space. In Washington, D.C., two buildings totaling 225,000 square feet at Beaumeade Corporate Park were completed. These properties were 100% leased to a prominent Internet business exchange company. In Virginia, the Company completed the development of One Reston Place. The 184,000 square foot building was 100% pre-leased to a leading e-business consulting and development company on completion, in December 2000. In Atlanta, the 150,000 square foot 3100 Interstate North Parkway building was completed in January 2001 – with 86% leased and a further 10% under active negotiations. One Alliance Center is currently under construction in Buckhead, Georgia, the strongest sub-market in Atlanta, and is scheduled to open in October 2001. This 560,000 square foot development, the first phase of a four-building complex, is 32% pre-leased with an additional 35% in final stages of negotiations.

■ **DURING THE YEAR**, TrizecHahn provided value-added technology services portfolio-wide. In Chicago, we doubled the capacity of the Sears Tower antenna system, complying with new digital broadcast standards. The Company installed four new 135 foot tall "mono poles" to offer primary and standby broadcasting systems, and a shared UHF standby antenna system; modified one main tower with an 85 foot extension to create additional capacity and constructed a multiplex primary broadcast system on the other. These upgrades have resulted in an opportunity to capture more than 80% of the digital market, accommodating nine new broadcast signals, including Fox, ABC and NBC, without losing any existing analog commitments. As a result of these activities, broadcast-related revenue for the Sears Tower is expected to increase by $5 million per year.

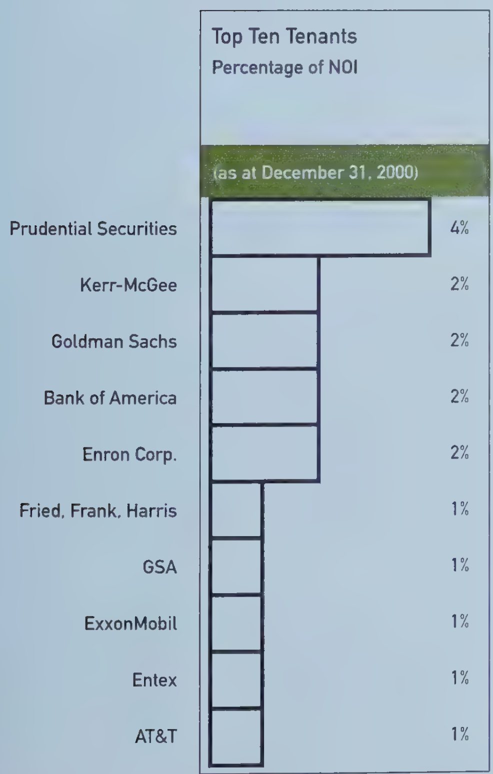


ONE NEW YORK PLAZA, NEW YORK, NY

IN 2000, TRIZECHAHN improved the access and choice of high-speed communications services for its tenants. Agreements that were signed in 1999 with Allied Riser Communications Corporation (ARCC), Cypress Communications, Inc. (CYCO), OnSite Access, Inc. and Broadband Office, Inc. were in the process of being implemented during 2000. Agreements were also signed with Metromedia Fiber Network, Inc. (MFNX) and Winstar Communications, Inc. (WCII) to furnish our properties with fiber and wireless communications, respectively.

IN 2000, THE Company executed an agreement with the Captivate Network, Inc. to deliver information including news, weather, traffic, financial updates, as well as building-specific announcements and advertising to tenants via monitors installed in our elevators. As part of the agreement with Captivate, TrizecHahn will participate in advertising revenues.

INITIATIVES THAT REDUCE costs and generate additional revenues to improve margins continued to be our focus. Savings were realized through portfolio agreements with elevator and other service providers. During 2000, the Company implemented over 250 energy efficiency projects at a cost of $12 million – resulting in energy savings. Inventory control and rate management programs throughout the portfolio allowed us to capture additional parking income of $4 million. Going forward, TrizecHahn will continue to pursue operating efficiencies that reduce expenses and to make improvements in parking operations that will generate additional revenues.



Continued Momentum to Drive Growth

IN THE FOURTH quarter of 2000, TrizecHahn's wholly-owned U.S. office properties subsidiary decided to elect to be taxed as a U.S. Real Estate Investment Trust (REIT) commencing in 2001 to benefit from the tax advantages the structure allows.

WATERGATE OFFICE BUILDING, WASHINGTON, D.C.

■ **AS NEWS OF** an uncertain economy emerges, the Company is confident of a strong future. The market remains sound, as limited new construction, in contrast to past economic cycles, has resulted in a continued tight supply-demand balance. TrizecHahn is also well positioned: our tenant base of 2,800 is diverse and strong, and cash flow is durable due to an average lease term of 5.3 years. TrizecHahn's largest tenant represents 4% of rental income, and exposure to any one industry is limited to 14%.

■ **THERE ARE SIGNIFICANT** opportunities within the U.S. office portfolio. The Company will continue to focus on the remaining growth potential; to increase occupancy from the current level of 93.6%; to improve revenues as we bring in-place net rents to market; to focus on being a low-cost operator; and to develop our existing land bank of 6.5 million square feet on a disciplined basis. At the same time, we will streamline operations to improve efficiencies and reduce operating costs. Primary to TrizecHahn's growth strategy, the Company will realize the value it has created through a prudent asset sale and reinvestment program.

ALLEN CENTER
HOUSTON, TX

BANK ONE CENTER
[illegible]

[illegible]

[illegible]

.2

NON-CORE BUSINESS

Execution Strategy for Divestitures

WESTEND CITY CENTER, BUDAPEST, HUNGARY

TRIZECHAHN IS PRUDENTLY MONETIZING NON-CORE ASSETS IN EUROPE, CANADA AND THE UNITED STATES – PROPERTIES THAT NO LONGER FIT WITH THE COMPANY'S FOCUS ON A CORE U.S. OFFICE PORTFOLIO. OVER TIME, THE COMPANY EXPECTS TO GENERATE OVER $1 BILLION FROM THESE DIVESTITURES, AFTER REPAYMENT OF DEBT.

■ **IN 2000, TRIZECHAHN** made strong progress with the measured and methodical execution of the disposition program, monetizing $2 billion of non-core assets. In Canada, the Company sold virtually all of its mature office portfolio for $1.3 billion to a roster of leading Canadian office companies and pension funds – buyers that speak to the quality of the 24 properties, which included Place Ville Marie, Bankers Hall, Bell Trinity Square, Place Bell Canada and Tour Bell.

■ **IN THE UNITED STATES,** 12 non-core office assets were sold for gross proceeds of $436 million and plans were put in place for the timely disposition of an additional four office properties, of which two were completed in the first quarter of 2001 for a total of $170 million. Proceeds from certain dispositions are being held for tax-efficient reinvestment.

■ **TRIZECHAHN IS COMMITTED** to the success and profitability of its U.S. retail/entertainment projects, and intends to hold each property until it is completed and stabilized, to realize the full value.

HOLLYWOOD & HIGHLAND: a landmark mixed-use destination opening in late 2001 in Los Angeles, at one of the world's most recognized addresses, will deliver on the promise of Hollywood as the entertainment capital of the world. Included among the retail and restaurants are a 3,600-seat performing arts theater that will be home to the Academy Awards® ceremonies and will generate additional revenue through sponsorship (Eastman Kodak Company); a new 640-room Renaissance Hollywood Hotel; and a major-event ballroom

1

HOLLYWOOD & HIGHLAND LOS ANGELES, CA

This 1.2 million square foot retail/entertainment and hotel complex contains a 425,000 square foot high-end retail space; a 3,600-seat performing arts theater, which will house the Academy Awards® ceremonies, as of 2002; a 40,000 square-foot ballroom operated by Wolfgang Puck; and the 640-room Renaissance Hollywood Hotel.

2

DESERT PASSAGE LAS VEGAS, NV

A world-class 475,000 square foot retail/entertainment and dining destination within the extraordinary Aladdin Hotel and Casino complex. Opened in August 2000 and expected to attract 18 million visitors in its first year, the project benefits from its excellent street access.

3

PASEO COLORADO PASADENA, CA

A 565,000 square foot mixed-use development spanning three blocks along Colorado Boulevard, home of the annual Rose Bowl Parade, featuring an open-air environment with quality retail and dining facilities, a multi-screen cinema, office space and residential units.

operated by Wolfgang Puck. With its physical and symbolic connection to the entertainment industry, Hollywood & Highland offers an exciting opportunity to generate additional revenue from marketing and advertising.

DESERT PASSAGE: a world-class retail/entertainment and dining destination within the extraordinary Aladdin Hotel and Casino complex in Las Vegas, opened in August 2000, and expected to attract 18 million visitors in its first year. The retail center mirrors the journey of Aladdin along the spice route from Morocco to India. The enchanting marketplace brings one-of-a-kind retail concepts to the desert with a successful mix of 135 retail tenants and nine restaurants.

PASEO COLORADO: this mixed-use development will revitalize a key three-block area located along Colorado Boulevard in Pasadena, home of the annual Rose Bowl Parade. The project will feature an open-air environment, an interconnected network of quality retail and dining, office, entertainment, housing and garden promenades, which together embody an urban village. The project is on schedule to open in September 2001 and will showcase many well-known tenants.

■ **IN 1997, TRIZECHAHN'S** European investment strategy evolved from its North American real estate experience, available capital and the opportunities offered by the changes in the European political, economic and social climate. In 2000, the Company made the decision to exit Europe to focus on its U.S. office portfolio; however, these properties remain unique and enduring contributions to key European markets.

■ **THE EXECUTION OF** the European disposition strategy began with the sale of Number One Poultry in London, England, the downsizing of the Company's European corporate structure and the scheduling of the prudent divestiture of the remaining investments over a two-year period, including:

1

WESTEND CITY CENTER BUDAPEST, HUNGARY

The largest urban retail/entertainment center in central Europe, at 930,000 square feet. This property includes 535,000 square feet of retail space, housing 450 tenants, a 225,000 square foot office building and a 170,000 square foot Hilton International Hotel.

2

POLUS CITY CENTER BRATISLAVA, SLOVAKIA

This 625,000 square foot retail/entertainment and office complex includes quality fashion retail, a multiplex cinema, hypermarket and themed restaurants. The office development is on schedule to open in March 2001.

3

OLYMPIA CENTRUM BRNO, CZECH REPUBLIC

A 580,000 square foot “new generation retail complex”, opened in 1999, includes restaurants, retail shops, a multiplex cinema and hypermarket – strategically located to serve approximately 1.2 million area residents.

WESTEND CITY CENTER, BUDAPEST, HUNGARY: the largest urban center in central Europe. The property includes retail, entertainment, office and hotel elements in a series of buildings that complement the surrounding historic architecture. The center is situated on prime real estate in downtown Budapest, next to the railway station designed by the noted French architect Gustav Eiffel, architect of the Eiffel Tower. Westend received 18 million visitors in 2000, its first year of business.

PÓLUS CITY CENTER, BRATISLAVA, SLOVAKIA: this 625,000 square foot retail/entertainment and office complex is 89% occupied. The retail component opened in November 2000 and features 150 stores, as well as movie theaters, restaurants, and cafés. The office portion is on schedule for a March 2001 opening.

OLYMPIA CENTRUM, BRNO, CZECH REPUBLIC: a "new generation retail complex", opened in 1999, with restaurants, retail shops, a multiplex cinema and hypermarket, the center offers a unique combination of shopping, entertainment and leisure under one roof – strategically located to serve approximately 1.2 million area residents.

■ **TRIZECHAHN'S DISPOSITION STRATEGY** is in place. The Company will proceed in a prudent and methodical manner to derive optimal value from non-core assets in Europe, where it plans to have substantially completed its withdrawal by 2002, and in North America, where the Company will retain the three key development projects until they are each completed and stabilized.

3

TECHNOLOGY OPPORTUNITIES

The Technology Center Initiative

151 FRONT STREET WEST TORONTO, ON

INCREASING DEMAND FOR CONNECTIVITY, THE GLOBAL DEREGULATION OF THE TELECOMMUNICATIONS INDUSTRY, AND THE INCREASING DEMAND FOR BROADBAND SERVICES HAS RESULTED IN AN EXPLOSION IN THE NEED FOR BANDWIDTH, BOTH BY CONSUMERS AND CORPORATE CUSTOMERS. THIS GROWING DIGITAL ACTIVITY NEEDS TO RUN RELIABLY AND SECURELY THROUGH A COMPLEX SERIES OF NETWORKS... NETWORKS HAVE TO BE CONNECTED TO EQUIPMENT... AND THAT EQUIPMENT NEEDS TO BE HOUSED IN PURPOSE-BUILT FACILITIES KNOWN AS TECHNOLOGY CENTERS, CARRIER HOTELS, INTERNET DATA CENTERS, OR COLOCATION FACILITIES. TRIZECHAHN'S COMPETITIVE ADVANTAGE IS THE ABILITY TO LEVERAGE BOTH ITS REAL ESTATE EXPERTISE AND STRONG CUSTOMER RELATIONSHIPS TO CAPTURE THE DEMAND FOR THE SPECIALIZED TELECOMMUNICATIONS SPACE INTEGRAL TO THE TELECOMMUNICATIONS AND INTERNET INFRASTRUCTURE SERVICES MARKET.

■ **LOCATION IS CRITICAL** for technology centers: they are usually located at a nexus of all communications networks. Technology centers need to provide a specialized environment for mission-critical services and house centralized power, fire suppression and 24/7 security systems, as well as high-capacity cooling systems. Carrier-neutrality ensures diverse connectivity and delivers long-term networking and pricing choices for customers.

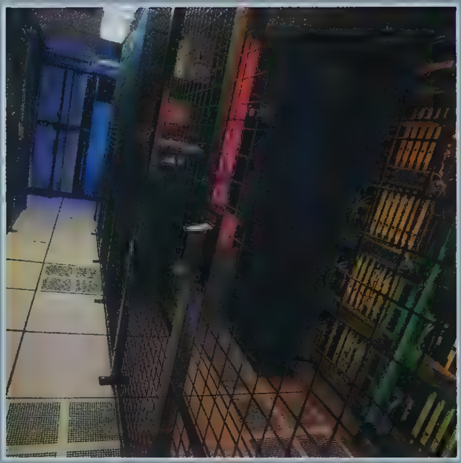
■ **GLOBAL SWITCH:** TrizecHahn is participating in the European and Asia-Pacific markets through a one-third interest in Global Switch, a leading carrier-neutral, infrastructure services provider, to operate world-class facilities for mission-critical communications equipment.

■ **GLOBAL SWITCH LONDON I**, Global Switch's first facility, has been a European success story. The 253,000 square foot site, which opened in 1999, was 100% leased in 2000 with tenants including Global Crossing, AboveNet and Exodus, and has achieved

1

GLOBAL SWITCH LONDON I LONDON, ENGLAND

A state-of-the-art Internet data center at the epicenter of Europe's telecommunications network. Opened in 1999, this 253,000 square foot facility was designed to meet the needs and specifications of technology and telecommunications customers.



2

CAGE AND RACKS 151 FRONT STREET WEST, TORONTO, CANADA

Colocation is a newly emerging industry, which allows customers to house their own equipment in a secure, mission-critical environment on a per rack or per cage basis.

3

EXTERIOR OF 151 FRONT STREET WEST TORONTO, CANA

This facility is widely recognized as the pre-eminent technology center in Canada. The 257,000 square foot center houses more than 150 telecommunications and technology companies.

contracted annual revenues of $14 million. Currently, Global Switch has developments opening on a phased basis in Paris, Frankfurt and Amsterdam. Other projects are under construction or pre-development in London, Sydney, Singapore, Dublin, Frankfurt, Milan, and Madrid – in all, a portfolio of 12 facilities totaling over 3.7 million square feet.

■ NORTH AMERICA: TrizecHahn's Toronto facility at 151 Front Street West is recognized as the pre-eminent technology center in Canada. This 257,000 square foot mission-critical facility has direct connectivity to the 1,815 foot tall CN Tower, a renowned transmission platform. This facility has attracted an optimal tenant mix: more than 150 telecommunications and technology companies – both the carriers that bring in fiber optic networks, such as AT&T, Sprint and Bell Canada, and the service providers participating in the Internet backbone. This enables a cost-effective sharing of equipment and technical personnel across multiple customers.

■ TRIZECHAHN CURRENTLY HAS the potential to develop other specialized technology centers in North America. As a complement, several properties within its office portfolio have the potential to be prime hub locations for telecommunications space. The Company will carefully review these North American development projects and pursue any prudent opportunities along with its technology partner, Global Switch.

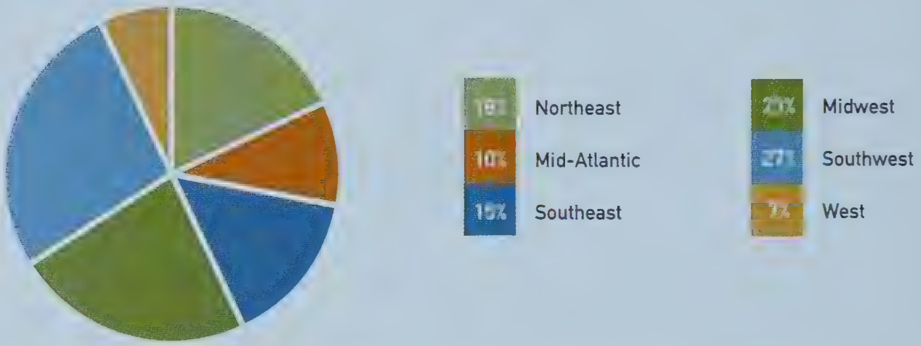
■ WITHIN THIS EVOLVING Internet infrastructure sector, both the demand for network-based communications and the global trend toward outsourcing IT services and webhosting will continue to create a need for specialized facilities to house all of these interconnected technologies. With Global Switch, TrizecHahn will continue to review the technology opportunity prudently, first by completing the facilities currently under construction. The Company is considering a further equity investment in Global Switch of up to $60 million. In the long term, we will seek to realize value for our shareholders through a spin-off or sale of this business and in the short term, we will mine the expertise of our team, seek anchor tenants with a high degree of creditworthiness and focus on markets in demand.

U.S. OFFICE PORTFOLIO

	GEOGRAPHIC DISTRIBUTION		RENTAL INCOME		NET BOOK VALUE	
	sq. ft. millions	%	$ millions	%	$ millions	%
Northeast	8,688	18%	118	22%	1,041	21%
Mid-Atlantic	4,929	10%	95	17%	809	17%
Southeast	7,451	15%	81	15%	786	16%
Midwest	11,483	23%	76	14%	735	15%
Southwest	13,574	27%	132	24%	1,159	24%
West	3,706	7%	41	8%	327	7%
Total	49,831	100%	543	100%	4,857	100%

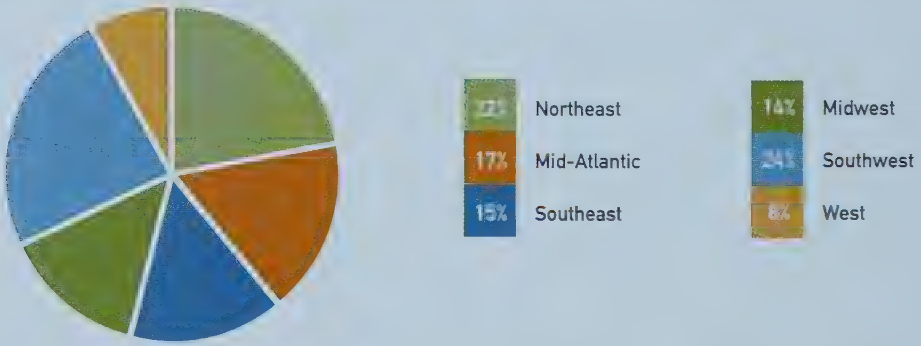
Geographic Distribution

by total
leasable area at
December 31, 2000



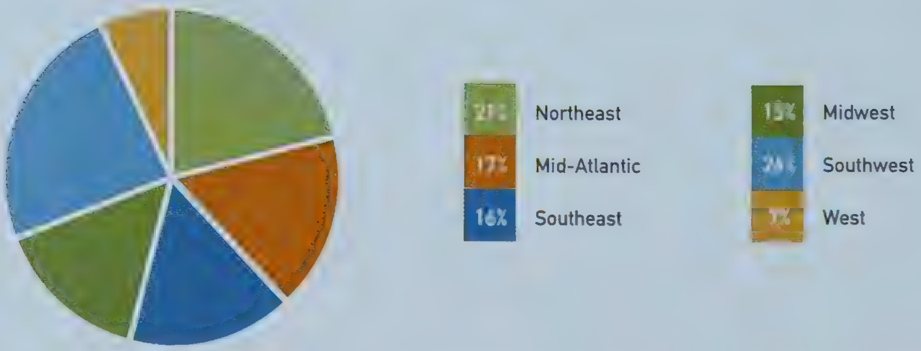
Rental Income

for year ended
December 31, 2000



Net Book Value

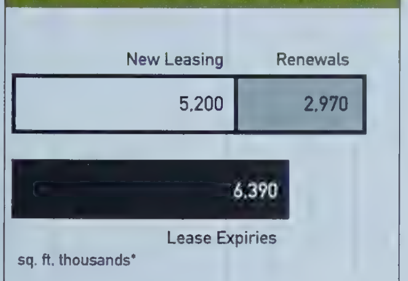
as at
December 31, 2000



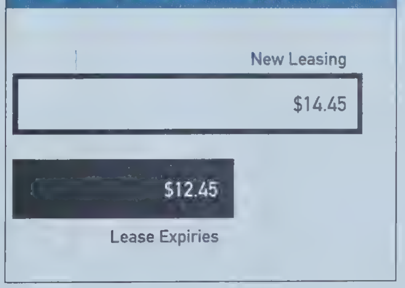
OPERATING & LEASING HIGHLIGHTS

OCCUPANCY (as at December 31, 2000)

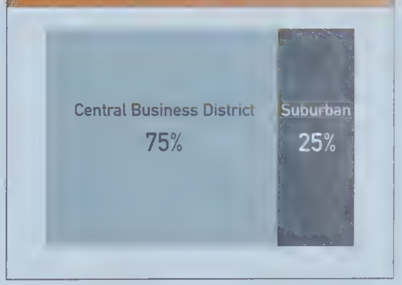
Leasing
(for year ended Dec. 31, 2000)



Average Net Rental Rate
(for year ended Dec. 31, 2000)



CBD/Suburban Mix
(by total leasable area at Dec. 31, 2000)



For year ended December 31, 2000	United States
Rental revenue ($ millions)	949
Rental income ($ millions)	543
Operating margin	57%
New leasing and renewals* (sq. ft. thousands)	8,170
Net leasing* (sq. ft. thousands)	1,780
Tenant installation costs ($ millions)	102
Tenant installation costs (per sq. ft.)	$13.60

*Represents 100% of portfolio, rather than TrizecHahn's proportionate share.

OFFICE PORTFOLIO

Office Properties – United States (as at December 31, 2000)

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy[2] at Dec. 31, 2000
NORTHEAST							
One New York Plaza	New York, NY	1970/95	2,438,000	20,000	2,458,000	2,458,000	99.7%
The Grace Building (50%)	New York, NY	1971	1,499,000	19,000	1,518,000	757,000	99.7%
World Apparel Center (50%)	New York, NY	1970	1,108,000	43,000	1,151,000	574,000	98.8%
110 William Street	New York, NY	1960	841,000	28,000	869,000	869,000	99.1%
1065 Ave. of the Americas (99%)	New York, NY	1958	625,000	40,000	665,000	658,000	99.3%
1460 Broadway (50%)	New York, NY	1951	206,000	9,000	215,000	107,000	100.0%
Newport Tower	Jersey City, NJ	1990	1,012,000	26,000	1,038,000	1,038,000	99.6%
First Stamford Place[3,6]	Stamford, CT	1984/86/87	774,000	–	774,000	–	98.0%
Total – Northeast	(8 properties)		8,503,000	185,000	8,688,000	6,461,000	99.5%
MID-ATLANTIC							
Beaumeade Corporate Park	Washington, D.C.	1990/98/2000	460,000	–	460,000	460,000	100.0%
2000 L Street, N.W.	Washington, D.C.	1968/98	319,000	67,000	386,000	386,000	97.9%
Watergate Office Building	Washington, D.C.	1965/91	206,000	51,000	257,000	257,000	98.3%
1400 K Street, N.W.	Washington, D.C.	1982	182,000	10,000	192,000	192,000	99.9%
1250 Connecticut, N.W.	Washington, D.C.	1964/96	155,000	16,000	171,000	171,000	99.7%
1250 23rd Street, N.W.	Washington, D.C.	1990	117,000	–	117,000	117,000	100.0%
2401 Pennsylvania	Washington, D.C.	1991	59,000	18,000	77,000	77,000	100.0%
250 West Pratt Street	Baltimore, MD	1986	356,000	6,000	362,000	362,000	97.6%
Bethesda Crescent	Bethesda, MD	1987	242,000	20,000	262,000	262,000	98.7%
Plaza West	Bethesda, MD	1965	96,000	2,000	98,000	98,000	100.0%
Twinbrook Metro Plaza	Rockville, MD	1986	164,000	1,000	165,000	165,000	100.0%
Silver Spring Metro Plaza	Silver Spring, MD	1986	659,000	45,000	704,000	704,000	97.4%
Silver Spring Centre	Silver Spring, MD	1987	201,000	15,000	216,000	216,000	95.0%
Goddard Corporate Park	Lanham, MD	1993	203,000	–	203,000	203,000	100.0%
Hanover Office Park[4]	Greenbelt, MD	1987	16,000	–	16,000	16,000	87.5%
Rosslyn Gateway	Arlington, VA	1970	220,000	30,000	250,000	250,000	95.1%
1550 Wilson Boulevard	Arlington, VA	1983	119,000	13,000	132,000	132,000	100.0%
1560 Wilson Boulevard	Arlington, VA	1987	118,000	9,000	127,000	127,000	73.6%
Reston Unisys	Reston, VA	1980	238,000	–	238,000	238,000	100.0%
One Reston Place	Reston, VA	2000	184,000	–	184,000	184,000	100.0%
Sunrise Tech Park	Reston, VA	1983/85	312,000	–	312,000	312,000	100.0%
Total – Mid-Atlantic	(21 properties)		4,626,000	303,000	4,929,000	4,929,000	97.9%
SOUTHEAST							
Colony Square	Atlanta, GA	1970/73/95	738,000	89,000	827,000	827,000	95.4%
Interstate North Parkway	Atlanta, GA	1973/84	808,000	–	808,000	808,000	89.8%
The Palisades	Atlanta, GA	1981/83/99	632,000	–	632,000	632,000	83.2%
Newmarket Business Park	Atlanta, GA	1979/89	591,000	–	591,000	591,000	95.9%
Lakeside Centre	Atlanta, GA	1984/86	509,000	–	509,000	509,000	94.2%
Midtown Plaza	Atlanta, GA	1984/85	490,000	14,000	504,000	504,000	98.7%
Camp Creek Business Center[6]	Atlanta, GA	1989/90	258,000	–	258,000	258,000	93.2%
Bank of America Plaza	Charlotte, NC	1974	805,000	71,000	876,000	876,000	99.3%
First Citizens Plaza	Charlotte, NC	1985	446,000	8,000	454,000	454,000	97.4%
Perimeter Woods	Charlotte, NC	1991/98	314,000	–	314,000	314,000	68.7%
Bank of America Plaza	Columbia, SC	1989	302,000	–	302,000	302,000	97.2%
1441 Main Street	Columbia, SC	1988	264,000	–	264,000	264,000	93.5%
1333 Main Street	Columbia, SC	1983	195,000	22,000	217,000	217,000	96.8%
Clark Tower	Memphis, TN	1973/97	648,000	–	648,000	648,000	91.6%
Esperanté Office Building	West Palm Beach, FL	1989	226,000	21,000	247,000	247,000	87.9%
Total – Southeast	(15 properties)		7,226,000	225,000	7,451,000	7,451,000	92.8%

OFFICE PORTFOLIO

Office Properties – United States

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy[2] at Dec. 31, 2000
MIDWEST							
Sears Tower[5]	Chicago, IL	1974	3,406,000	106,000	3,512,000	–	97.0%
Two North LaSalle	Chicago, IL	1979	674,000	18,000	692,000	692,000	91.8%
10 South Riverside	Chicago, IL	1965	661,000	24,000	685,000	685,000	93.4%
120 South Riverside	Chicago, IL	1967	662,000	23,000	685,000	685,000	92.6%
Fisher Building[7]	Detroit, MI	1928	536,000	99,000	635,000	635,000	75.1%
New Center One (67%)	Detroit, MI	1983	408,000	88,000	496,000	331,000	86.6%
Albert Kahn Building[7]	Detroit, MI	1931	268,000	2,000	270,000	270,000	90.7%
Metropolitan Square	St. Louis, MO	1989	1,030,000	20,000	1,050,000	1,050,000	95.9%
St. Louis Place	St. Louis, MO	1983	337,000	–	337,000	337,000	98.3%
Gateway Center	Pittsburgh, PA	1952/60	1,399,000	51,000	1,450,000	1,450,000	90.7%
Northstar Center	Minneapolis, MN	1916/62/86	745,000	68,000	813,000	813,000	97.5%
Minnesota Center	Minneapolis, MN	1987	289,000	–	289,000	289,000	88.9%
Borden Building	Columbus, OH	1974	561,000	8,000	569,000	569,000	93.1%
Total – Midwest	(13 properties)		10,976,000	507,000	11,483,000	7,806,000	91.5%
SOUTHWEST							
Allen Center	Houston, TX	1972/78/80/95	3,118,000	66,000	3,184,000	3,184,000	98.2%
Cullen Center							
Continental Center I	Houston, TX	1984	1,092,000	18,000	1,110,000	1,110,000	94.9%
Continental Center II	Houston, TX	1971	449,000	–	449,000	449,000	97.8%
M.W. Kellogg Tower (50%)	Houston, TX	1978	1,017,000	31,000	1,048,000	524,000	99.3%
500 Jefferson	Houston, TX	1962/83	380,000	10,000	390,000	390,000	94.7%
3700 Bay Area Blvd	Houston, TX	1986	399,000	–	399,000	399,000	46.3%
Renaissance Tower	Dallas, TX	1974/92	1,681,000	50,000	1,731,000	1,731,000	95.7%
Bank One Center (50%)	Dallas, TX	1987	1,522,000	10,000	1,532,000	766,000	83.9%
Galleria Towers I, II and III	Dallas, TX	1982/85/91	1,408,000	–	1,408,000	1,408,000	98.3%
Plaza of the Americas	Dallas, TX	1980	1,045,000	105,000	1,150,000	1,150,000	83.4%
Park Central I & II	Dallas, TX	1970/71	262,000	–	262,000	262,000	83.4%
McKinney Place	Dallas, TX	1985	141,000	–	141,000	141,000	89.3%
Williams Center I & II	Tulsa, OK	1982/83	770,000	–	770,000	770,000	100.0%
Total – Southwest	(13 properties)		13,284,000	290,000	13,574,000	12,284,000	92.9%
WEST							
Ernst & Young Plaza (25%)	Los Angeles, CA	1985	919,000	332,000	1,251,000	313,000	64.2%
Warner Center	Los Angeles, CA	1980	377,000	–	377,000	377,000	100.0%
Marina Towers (50%)	Los Angeles, CA	1971/76	367,000	–	367,000	184,000	96.6%
9800 La Cienega	Los Angeles, CA	1985	336,000	–	336,000	336,000	95.2%
Landmark Square	Long Beach, CA	1991	427,000	24,000	451,000	451,000	92.7%
Shoreline Square	Long Beach, CA	1988	383,000	–	383,000	383,000	77.8%
Capital Center II & III	Sacramento, CA	1984/85	541,000	–	541,000	541,000	98.3%
Total – West	(7 properties)		3,350,000	356,000	3,706,000	2,585,000	83.7%
Total – United States	(77 properties)		47,965,000	1,866,000	49,831,000	41,516,000	93.6%

OFFICE PORTFOLIO

Development Projects

Name (ownership)[1]	Location	Expected completion	Total area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Total cost ($ mil.)	TrizecHahn cost ($ mil.)	Pre-leased
3100 Interstate North Parkway	Marietta, GA	Jan. 2001	150,000	150,000	19	19	69.3%
One Alliance Center	Buckhead, GA	Oct. 2001	560,000	560,000	100	100	32.4%
Total Office Development Projects	(2 projects)		710,000	710,000	119	119	40.2%

Office Properties – Canada

Name (ownership)[1]	Location	Year of completion/ renovation	Office area (sq. ft.)	Retail area (sq. ft.)	Total area (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy[2] at Dec. 31, 2000
Bell Data Centre	Toronto, ON	1969/77/96	459,000	–	459,000	459,000	100.0%
151 Front Street West	Toronto, ON	1954/68/2000	227,000	30,000	257,000	257,000	84.2%
347 Bay Street (50%)	Toronto, ON	1924	56,000	5,000	61,000	31,000	83.5%
200 Bouchard	Montreal, QC	1969/80/88	452,000	–	452,000	452,000	100.0%
Canada Place[3, 6]	Edmonton, AB	1988	765,000	79,000	844,000	–	100.0%
Total – Canada	(5 properties)		1,959,000	114,000	2,073,000	1,199,000	95.9%

Notes:

(1) The economic interest of TrizecHahn's owning entity is 100% unless otherwise noted.

(2) Occupancy is weighted on total area.

(3) TrizecHahn manages these properties on a performance basis. TrizecHahn has an economic interest in First Stamford Place and participates in operations and sales proceeds. At Canada Place, TrizecHahn's economic interest is effectively limited to the residual space not held by the ground lessor. Accordingly, these properties are excluded from operating statistics other than aggregate square footage calculations.

(4) Excludes condominium ownership.

(5) TrizecHahn has purchased a subordinated mortgage and option to purchase the property that gives it effective control over all aspects of the building including property management and leasing. Accordingly, the property is excluded from operating statistics other than aggregate square footage calculations.

(6) Properties sold in January 2001.

(7) Properties under letter of intent with sale closing expected by mid-2001.

The above project descriptions and costs may change.

SUMMARY OF PROPERTIES HELD FOR DISPOSITION

Operating Properties

Name (ownership)[1]	Location	Year of completion/ acquisition	Total area[2] (sq. ft.)	TrizecHahn owned area (sq. ft.)	Occupancy[3] at Dec. 31, 2000
EUROPE					
Westend City Center					
Retail (50%)	Budapest, Hungary	1999	535,000	243,000	97.6%
Office (50%)	Budapest, Hungary	2000	225,000	112,000	68.0%
Hotel (50%)	Budapest, Hungary	2000	170,000	85,000	n/a
			930,000	440,000	
Pólus Center (50%)	Budapest, Hungary	1999	460,000	155,000	96.6%
Pólus City Center (50%)	Bratislava, Slovakia	2000	625,000	313,000	88.7%
Olympia Centrum (56%)	Brno, Czech Republic	1999	580,000	269,000	95.0%
La Gran Manzana	Madrid, Spain	1999	230,000	122,000	100.0%
Village Entertainment Park (50%)	Athens, Greece	1999	220,000	110,000	99.0%
Porto Allegro (75%)[10]	Montesilvano, Italy	1999	130,000	98,000	98.0%
Haus am Zwinger	Dresden, Germany	2000	155,000	155,000	34.2%
Total Europe	(8 properties)		3,330,000	1,662,000	90.3%
UNITED STATES RETAIL/ENTERTAINMENT					
Desert Passage (65%)	Las Vegas, NV	2000	475,000	309,000	89.4%[4]
Total Operating Properties	(9 properties)		3,805,000	1,971,000	90.2%

Development Projects

Name (ownership)[1]	Location	Expected completion	Total area[2] (sq. ft.)	TrizecHahn owned area (sq. ft.)	Total cost[5] ($ mil.)	TrizecHahn cost[6] ($ mil.)	Pre-leased
EUROPE							
Bonaire Park (49%)[7]	Valencia, Spain	2001-2002	1,240,000	608,000	140	75	93.6%
UNITED STATES RETAIL/ENTERTAINMENT							
Paseo Colorado[8]	Pasadena, CA	September 2001	565,000	412,000	135	110	87.1%
Hollywood & Highland							
Retail	Los Angeles, CA	November 2001	645,000	645,000	480	380	68.1%
Hotel (91%)	Los Angeles, CA	December 2001	600,000	546,000	175	160	n/a
			1,245,000	1,191,000	655	540	68.1%
Total United States	(2 projects)		1,810,000	1,603,000	790	650	75.5%
Total Development Projects	(3 projects)		3,050,000	2,211,000	930	725	84.3%

Other Properties

CN Tower[9]	Toronto, ON

Notes:

(1) The economic interest of TrizecHahn's owning entity is 100% unless otherwise noted.

(2) Includes area owned directly by major/anchor stores as well as condominium units owned directly by in-line tenants.

(3) Occupancy is weighted on total area.

(4) Represents leased area.

(5) Costs are net of proceeds from the sale of land and tenant acquired space. Costs include all direct costs including initial leasing costs, interest expense on general and specific debt and other direct expenses considered applicable.

(6) Represents TrizecHahn's economic share of costs net of government contributions.

(7) Pre-leasing based on Phase 1 (1.0 million square feet) opening in Q2-01. Remainder of project (240,000 square feet) to be completed by Q1-02.

(8) Includes 155,000 square feet owned directly by department store anchor.

(9) TrizecHahn is leasing the CN Tower for an initial 40-year period with two 15-year renewal options.

(10) Property sold in February 2001.

This schedule does not incorporate non-core U.S. and Canadian office assets held for disposition.
The above project descriptions and costs may change.

2000

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

For the years ended December 31 (U.S.$ millions, except per share amounts)	1997	1998	1999	2000*
Rental Revenue	$ 714	$ 964	$ 1,189	$ 1,177
Rental Income	396	542	653	656
Funds from Real Estate Operations	176	269	331	326
Per share, diluted	1.15	1.71	2.10	2.10
Net Income	48	530	94	222
Per share, diluted	.31	3.37	.60	1.43

At December 31 (U.S.$ millions)	1997	1998	1999	2000*
Total Assets	5,875	$ 7,642	$ 8,460	$ 7,407
Shareholders' Equity	1,653	2,099	2,225	2,125
Net Debt to Market Capitalization	43%	49%	59%	56%
Interest Coverage	1.97:1	2.19:1	2.26:1	2.27:1

(Calculation of diluted per share amounts based on treasury stock method)

*Financial results in 2000 were impacted by the disposition of virtually all of the Canadian office portfolio, and other assets no longer considered strategic to the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

The following should be read in conjunction with the Consolidated Financial Statements and the notes thereto appearing later in this Annual Report, as well as the paragraph regarding forward-looking statements on the inside back cover.

STRATEGIC PLAN

TrizecHahn owns and operates a high-quality portfolio of office buildings in the United States. TrizecHahn's strategy is to focus on the core U.S. office business, optimize value from the disposition of non-core assets and maximize and realize the value of its technology center investments.

At December 31, 2000, the Corporation owned interests in a core U.S. office portfolio of 73 properties containing approximately 48 million square feet, of which TrizecHahn's ownership interest was approximately 40 million square feet. The Corporation has an additional 6.5 million square feet of office development potential in key U.S. markets. At the end of 2000, the Corporation's wholly-owned U.S. office properties subsidiary decided that it would elect to be taxed as a Real Estate Investment Trust (REIT) pursuant to the U.S. Internal Revenue Code commencing in 2001.

In 2000, the Corporation pursued the development of a technology center business, focused on providing carrier-neutral mission-critical facilities to service the increasing demand for Internet infrastructure and connectivity. TrizecHahn is participating in this sector primarily through its one-third interest in Global Switch, which is developing a global footprint of facilities currently focused on the European market.

In 2000, TrizecHahn commenced the disciplined monetization of non-core assets in Canada, the United States and Europe. These properties are no longer a strategic fit with the Corporation's focus on a core U.S. office portfolio. At year end, an additional four U.S. office properties had been identified for disposition, five properties remained to be sold in Canada, three U.S. retail/entertainment projects were under development and/or stabilization and, in Europe, the Corporation owned interests in eight operating properties, totaling over 3 million square feet, one project under development and several land sites.

Throughout 2000, TrizecHahn's stock traded at a price that management believes was at a significant discount to the net asset value of the Corporation. Management believes that the best way to close this gap between the underlying value of its real estate assets and its public market valuation is to drive cash flow growth from its core U.S. office portfolio, prudently monetize the value of non-core assets in an efficient and timely manner and maximize and realize the value of its investment in the technology center business.

OPERATING AND CAPITAL STRATEGIES

TrizecHahn's operating strategy is focused on enhancing shareholder value by generating sustained growth in operating cash flow and creating realizable appreciation in real estate value. The Corporation believes it can achieve this goal by applying its core competencies of superior property management and leasing, disciplined investing and development expertise as well as strategic asset management to the following:

- maximizing cash flow from the core portfolio of U.S. office properties;
- opportunistically acquiring U.S. office properties in key markets;
- developing and re-developing U.S. office assets; and
- continuing active asset management including sell discipline.

The Corporation believes that applying its core competencies to this multi-dimensional strategy will provide growth opportunities in the short and medium term. TrizecHahn's strategy is supported by a prudent capital plan that maintains flexibility through the following key elements:

- ensuring there is ample capital available at all times;
- utilizing an appropriate degree of leverage;
- allocating capital based on the best risk-adjusted total returns; and
- actively managing its exposure to interest rate and foreign currency fluctuations.

The discussion that follows should build an understanding of how the strategic plan and core competencies affect TrizecHahn's operating results and shareholder value. It also includes a review of the risks, opportunities and trends likely to have an impact on TrizecHahn's future performance.

DISPOSITION PLAN FOR NON-CORE ASSETS

Consistent with its strategic plan to focus on the core U.S. office business, the Corporation has decided to divest non-core assets in Canada, the United States and Europe. The plan calls for an orderly disposition, focused on value optimization over reasonable sales periods. Planned disposition timelines will allow the Corporation to complete developments and achieve stabilized income in order to optimize realized values. The following presents the financial position of the Corporation at December 31, 2000 segmented by assets held for the long term, assets held for disposition and Global Switch.

Balance Sheet

As at December 31, 2000

($ millions)	Held for the Long Term	Held for Disposition	Sub-total	Global Switch	Consolidated
ASSETS					
Properties	$ 4,975	1,137	6,112	186	6,298
Cash and short-term investments	285	46	331	17	348
Investments and other assets	595	123	718	43	761
	$ 5,855	1,306	7,161	246	7,407
LIABILITIES					
Long-term debt	$ 3,164(1)	407	3,571	40	3,611
Exchangeable debentures	891	–	891	–	891
Accounts payable and accrued liabilities	393	233	626	20	646
	$ 4,448	640	5,088	60	5,148
FUTURE INCOME TAXES					134
SHAREHOLDERS' EQUITY					2,125
					$ 7,407

(1) includes $534 million of corporate unsecured debentures.

The following table summarizes the non-core properties held for disposition by business segment, year end net book value and currently anticipated disposition timing.

Disposition Plan for Non-Core Assets

December 31, 2000

($ millions)			Estimated Completed Cost	Net Book Value
CANADA OFFICE AND OTHER				
2001	Q1	Canada Place		$ 3
		Bay-Adelaide development site		33
	Q2	Bell Data Centers		70
2002		CN Tower		30
				136
U.S. OFFICE				
2001	Q1-Q2	Four non-core properties		110
EUROPE RETAIL/ENTERTAINMENT				
2001	Q1	Italy: Porto Allegro		16
		Spain: La Gran Manzana		23
	Q2	Greece: Village Entertainment Park		35
	Q3	Spain: Bonaire Park		56
		Poland land sites		7
	Q4	Germany: Haus am Zwinger		21
		TriGránit joint venture: Hungary and Slovakia		145
2002		Czech Republic: Brno and other		35
		Germany: Brandenburg Park and other		48
				386
U.S. RETAIL/ENTERTAINMENT				
2001	Q4	Remnant lands		19
2002	Q3	Desert Passage	190	180
	Q4	Paseo Colorado	110	47
2003		Hollywood & Highland, retail and hotel	540	259
				505
TOTAL NON-CORE PROPERTIES HELD FOR DISPOSITION				$ 1,137

Based on current estimates, the Corporation anticipates generating significant liquidity from these dispositions over a three-year period. Net proceeds after debt repayment from these dispositions is currently estimated to be approximately $1 billion. The Corporation will assess uses of this cash on an ongoing basis. It currently expects that a portion will be utilized to retire currently outstanding corporate unsecured debt of $534 million.

RESULTS OF OPERATIONS

ANALYSIS OF FUNDS FROM REAL ESTATE OPERATIONS

TrizecHahn continued to achieve strong financial results in its core U.S. office portfolio for the year ended December 31, 2000, reflecting the ongoing success of its growth-oriented operating strategy. Overall consolidated results are lower than the prior year due to the impact of dispositions of non-core assets. The additional revenue derived from properties acquired in late 1998 and early 1999, as a consequence of re-deploying the proceeds from the retail portfolio sale into higher-yielding office assets, drove 1999 funds from real estate operations 23% higher than it had been in 1998.

Strong real estate market conditions in the U.S. positively affected the Corporation's operational performance in 2000, as demand resulted in occupancy and rental rate increases. As well, the impact of operating initiatives to improve the profitability and efficiency of the U.S. office portfolio contributed to the increase in cash flow.

Funds from real estate operations was $326 million, $2.11 per share or $2.10 diluted, compared with $331 million, $2.13 per share or $2.10 diluted, for 1999.

Funds from Real Estate Operations

For the years ended December 31

($ millions, except per share amounts)

	Change 2000-1999	2000	1999	1998
RENTAL INCOME				
U.S. office	$ 52	543	491	300
Global Switch	(1)	(1)	–	–
Non-core				
Canada office	(59)	89	148	133
Europe retail/ entertainment	8	14	6	2
U.S. retail/entertainment	3	11	8	107
Total non-core	(48)	114	162	242
TOTAL RENTAL INCOME	3	656	653	542
Interest expense, net	1	(271)	(272)	(231)
General and administrative expense	(2)	(40)	(38)	(35)
Current operating taxes	(7)	(19)	(12)	(7)
FUNDS FROM REAL ESTATE OPERATIONS (FFO)	$ (5)	326	331	269
PER SHARE:				
Basic	$ (0.02)	2.11	2.13	1.76
Diluted	$ –	2.10	2.10	1.71

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), with the major differences from U.S. GAAP described in Note 16 to the Consolidated Financial Statements. The major differences are as follows: the Corporation uses the proportionate consolidation method of accounting for joint ventures rather than the cost, equity or full consolidation methods; carries its shares of Barrick Gold Corporation at cost rather than at market value; recognizes rental revenue over the term of its operating leases as it becomes due rather than on a straight-line basis; and depreciates properties using the sinking fund method rather than the straight-line method.

In the United States, the National Association of Real Estate Investment Trusts ("NAREIT") has adopted a measurement called Funds From Operations ("FFO") to supplement net income as a measure of operating performance. This measurement is considered to be a meaningful and useful measure of real estate operating performance. FFO does not represent cash flow from operations as defined by Canadian GAAP and is not necessarily indicative of cash available to fund cash needs. It should not, therefore, be considered as an alternative to cash flow as a measure of liquidity.

The Corporation's presentation of Funds from Real Estate Operations is conceptually consistent with NAREIT's definition of FFO, except that FFO would include any increase or decrease in income due to straight-line revenue recognition. As detailed in Note 16 to the Consolidated Financial Statements, under U.S. GAAP, TrizecHahn's 2000 FFO would have been approximately $344 million (or $18 million higher) due to the impact of the straight-line rent method of revenue recognition. Diluted FFO per share on a U.S. GAAP basis would have been $2.22 per share (1999 – $2.26 per share, 1998 – $1.80 per share). In order to enhance comparability of its core business with its U.S. office REIT peer group, commencing in 2001 the Corporation will adopt the straight-line method of revenue recognition and the straight-line method for property depreciation on a retroactive basis.

For 2000, the Corporation adopted the provisions of revised Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3500, "Earnings per Share". Under the revised standard, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of options and equivalents. This standard is similar to that under U.S. GAAP. Per share information under the previous standard is provided in Note 14b to the Consolidated Financial Statements.

Rental Income

Rental income for 2000 was approximately $656 million, compared with $653 million in 1999 and $542 million in 1998. The increase in rental income for 2000 reflects growth in the core U.S. office portfolio offset by the impact of non-core dispositions, in particular, the sale of the Canadian office portfolio. TrizecHahn derived approximately 83% (1999 – 75%) of its total rental income from U.S. office properties and 17% (1999 – 25%) from non-core Canadian, U.S. retail and European properties for the

year ended December 31, 2000. On a go-forward basis, rental income from the core U.S. office portfolio will comprise substantially all of the Corporation's rental income. In the fourth quarter of 2000, U.S. office operations accounted for 92% of total rental income.

U.S. Office Properties

A majority (75%) of the space in TrizecHahn's office portfolio is located in central business districts ("CBD") of U.S. cities such as Atlanta, Chicago, Dallas, Houston, Los Angeles, New York and the Washington, D.C. area. At December 31, 2000, the U.S. office portfolio was comprised of 77 buildings aggregating 50 million square feet. Of these properties, the Corporation had identified four non-core properties for disposition totaling 2 million square feet. Subsequent to year end, the sale of two of these properties closed, yielding net proceeds after debt repayment of $75 million.

U.S. office rental income increased 11% to $543 million in 2000, from $491 million in 1999. Again, this increase reflected growth in the core properties offset by the impact of the sale of 12 mature properties with low-growth profiles. Rental income consists primarily of base rent, percentage rent and operating cost recoveries, less the cost of operations and property taxes. The following table identifies the principal factors contributing to the improved rental income performance.

U.S. Office Rental Income Change 2000 vs. 1999

($ millions)	Total
Improved performance of comparable properties	$ 43
Termination fees	(12)
Acquisitions	19
On-stream developments and stabilization properties	4
Other, net of dispositions	(2)
TOTAL INCREASE IN U.S. OFFICE RENTAL INCOME	$ 52

The increase in rental income from comparable properties (i.e., those properties owned both at December 31, 2000 and 1999, and in each case for a full year) was $43 million or 8% in 2000, due primarily to increased occupancy and rental rates and the impact of contractual rent increases (contractual steps). More specifically, the growth reflects increased occupancy of 3 percentage points and increased rental rates in key markets such as New York, Houston and Chicago. In addition, the Corporation continued to focus on improving the operating results of its properties through operating initiatives, primarily in the area of parking management.

During 2000, the Corporation signed leases totaling 8.2 million square feet, of which TrizecHahn's proportionate interest was 7.6 million square feet. This strong leasing activity raised total office portfolio occupancy to 94% at year end.

Rental income improved during 2000, in part as a result of contractual rent increases in existing leases. This was supplemented by a $2.00 per square foot increase in net rental rates on new and renewal leases. This reflects the continued improvement in the Corporation's markets and the impact of space rolling over at properties with in-place rents below current market rents. This compares with an uplift in net rents of $1.90 per square foot in 1999 and $1.25 per square foot in 1998.

Lease termination fees are an element of ongoing real estate ownership, and in 2000 the Corporation recorded $6 million of termination fees in rental revenue. These fees relate to specific tenants who have paid a fee to terminate their lease obligations before the end of the contractual term of their leases. As a policy, the Corporation actively manages these situations in order to reclaim space with below-market rent in buildings with a high probability of subsequent lease-up. Historically, annual amounts have averaged approximately $6 million, however, the Corporation cannot predict accurately the timing or amounts of future lease termination fees.

On a year-over-year basis, 2000 benefited from the part year impact of 4 million square feet of acquisitions which occurred early in 1999. In addition, rental income was increased due to the completion, in late 2000, of 225,000 square feet at Beaumeade Corporate Park in Washington, D.C. and the 184,000 square foot One Reston Place in Reston, Virginia. These buildings were both 100% leased at completion.

In aggregate, operating margins for the U.S. office portfolio increased in 2000 to 57% from 56% in 1999 and 1998. While the operating margin (defined as the ratio of rental income to rental revenue) is impacted by the changing composition of the portfolio over time, in 2000 the margin growth was primarily the result of revenue increases due to occupancy increases and rental uplifts. In future, management will also target savings in controllable costs as an area for margin enhancement. The benefits of being a "low cost" operator should also translate into improved revenue-stream retention and reduced tenant installation costs.

Global Switch

The Corporation accounts for its one-third joint venture interest in Global Switch using the proportionate consolidation method. The amount in rental income represents the Corporation's one-third share of operating results for the nine-month period from the initial investment date of March 31, 2000. Operating results reflect the on-stream contribution from the first London, England facility offset by indirect expenses and start-up infrastructure costs related to the formation of a managed-services business targeted to providing higher-margin value-added services to existing tenants and other customers. The 250,000 square foot London facility is fully leased.

Non-Core Operations

In 2000, consistent with its strategic plan, the Corporation commenced the exit from non-core business segments. The following summarizes the key factors which impacted rental income contributions from these business segments.

Non-Core Rental Income Change 2000 vs. 1999

	Canada	Retail/Entertainment		
($ millions)	Office	Europe	U.S.	Total
Dispositions and other	$ (59)	–	(2)	(61)
On-stream development properties	–	18	5	23
Unrecovered property management functions	–	(10)	–	(10)
TOTAL DECREASE IN NON-CORE RENTAL INCOME	$ (59)	8	3	(48)

During 2000, the Corporation sold the majority of its mature Canadian office portfolio for gross proceeds of approximately $1.3 billion. The portfolio was comprised of 24 properties totaling 14 million square feet (17 property sales closed in the second quarter, four in the third and three in the fourth quarter). Five properties in Canada remained to be sold at year end. Subsequent to year end, the sale of Canada Place in Edmonton and the Bay-Adelaide development site in Toronto were completed.

During 2000, the Corporation had initially decided to narrow its pan-European focus to certain core markets such as Hungary and Slovakia, through its TriGránit joint venture, and the Spanish and German markets, where significant long-term developments were underway. Options to realize value in the non-core markets of Italy, Greece, Poland and the Czech Republic were pursued. However, by the end of 2000, the Corporation decided to dispose of all of its European operations as part of its revised strategic plan. Nonetheless, year-over-year operating results were positively impacted by 2 million square feet of retail/entertainment centers coming on-stream in the latter half of 1999, including Westend City Center in Budapest, Hungary and four retail/entertainment centers in Greece, Spain, Italy and the Czech Republic. In addition, results in 2000 benefited from the opening of the Pólus City Center in Bratislava, Slovakia in November 2000. European operations, however, continued to be negatively impacted by significant non-recoverable start-up expenditures which were expensed during the year.

The U.S. retail/entertainment group benefited from the completion of Desert Passage in Las Vegas in August 2000. The Corporation intends to stabilize operations at this unique, world-class retail/entertainment destination prior to its sale. At year end, the project was 89% leased with occupancy at 80%.

Interest Expense, Net

On a year-over-year basis, net interest expense decreased nominally. The following primary factors contributed to this net decrease.

Analysis of Decrease in Interest Expense, Net

($ millions)

Acquisitions	$ 7
Dispositions	(19)
Increase in property financing	9
Unsecured debentures repaid	(2)
Decrease in interest capitalized on active developments	7
Interest on cash balances, primarily sale proceeds	(7)
Increase in interest rates and other	4
TOTAL DECREASE IN INTEREST EXPENSE, NET	$ (1)

Interest expense savings from the disposition of the Canadian office portfolio and non-core U.S. properties contributed to lower interest expense in 2000, offset by the full year impact of U.S. office property acquisitions which closed in early 1999. Interest income earned on cash balances and short-term investments was higher in 2000 than 1999 due to the timing of the re-deployment of sale proceeds.

The interest coverage ratio (defined as rental income less general and administrative expense divided by interest expense, net) improved nominally to 2.27:1 for the year ended December 31, 2000, from 2.26:1 in 1999 and 2.19:1 in 1998.

General and Administrative Expense

General and administrative expense includes expenses for corporate functions and an allocation of U.S. office group costs for portfolio asset management functions. Expenses for property management and fee-based services are recorded as a reduction of rental income. Corporate expenses relate primarily to public company governance, business development, financial reporting and executive management functions. As a percentage of rental revenue, general and administrative expense increased slightlyfrom 3.2% in 1999 to 3.4% in 2000. As a consequence of the strategic plan, management is targeting future general and administrative expense savings over the medium term from the singular focus on the core U.S. office portfolio and the possible benefits to be derived from functional and office location consolidations. The Corporation is in the very early stages of a comprehensive review of its operations for this purpose, and anticipates incurring reorganization and downsizing costs, primarily related to office relocations and employee retention and termination costs.

In late 2000, the Corporation made grants of escrowed shares to certain U.S. employees and introduced a stock-linked bonus plan for certain non-U.S. employees. The share-based compensation arrangements are more fully described in Note 15 to the Consolidated Financial Statements. Under the escrowed share grant arrangements, the $12.4 million cost to the Corporation of acquiring the shares is amortized to income as compensation expense, on a straight-line basis, over the three-year vesting period. Under the non-U.S. employee stock-linked bonus plan, compensation expense is recognized for bonus awards to employees over the three-year term of the plan, based on the quoted market price of the underlying shares, on a variable basis. The notional number of shares in respect of each year of the three-year plan is 317,000.

Current Operating Taxes

The actual cash taxes paid, which are deducted from funds from real estate operations, relate to franchise and state income taxes in the United States, and certain withholding taxes and large corporations taxes in Canada associated with ongoing real estate operations. The increase in current taxes from 1999 to 2000 primarily reflects the incremental withholding tax on cross-border intercompany debt in the U.S. office property subsidiary, TrizecHahn (USA) Corporation ("THUSA").

In future, THUSA will be required to distribute annually at least 90% of its REIT taxable income to its parent company in order to retain REIT status. These distributions are currently anticipated to equate to approximately 60% of THUSA's FFO and will be subject to withholding taxes under current treaty arrangements at an aggregate rate of approximately 10%. The U.S. withholding tax rate on distributions made by a U.S. REIT to a Canadian parent company is 30%. However, as THUSA is indirectly owned by a wholly-owned Hungarian company, the effective withholding tax rate pursuant to current treaty arrangements is 10%. The tax rates under current

income tax treaties are subject to renegotiation over time and as a result there could be increases in the withholding taxes applicable to THUSA's REIT distributions.

Sensitivity Analysis

To assist in understanding the influence of certain macroeconomic drivers that directly impact real estate performance as measured by FFO, the following analysis is provided.

Sensitivity Analysis

($ millions)	Increase or Decrease	Estimated Impact on Annual FFO
Interest rate		
Interest expense, gross	100 basis points	$ 14
Interest expense, net	100 basis points	5
Rental rate	$1 per sq. ft.	5
Occupancy	1 percentage point	6

These estimated sensitivity impacts are based on TrizecHahn's current financial position and operating portfolio and are not necessarily indicative of future events.

TENANT INSTALLATION COSTS

TrizecHahn's operating properties require periodic investments of capital for tenant installation costs related to new and renewal leasing. The total amount of tenant installation costs is less relevant than the cost on a per square foot basis, because the total is impacted by the number of square feet of leases signed and taking occupancy in any given period. Tenant installation costs consist of tenant allowances (including free rent granted) and leasing costs. The following table reflects tenant installation costs for both new and renewal U.S. office leases.

Tenant Installation Costs

For the years ended December 31

($ millions, except per sq. ft. amounts)	2000	1999	1998
Square feet leased[1]			
– new leasing	4.8	3.7	3.2
– renewal leasing	2.8	2.8	1.9
Tenant installation costs	$ 102	111	100
Tenant installation costs per square foot	$ 14	17	19
Tenant allowance costs per square foot	$ 9	11	14

(1) Represents the Corporation's proportionate share of square feet leased.

During 2000, of the $102 million (1999 – $111 million) of office tenant installation costs, only approximately $18 million or $6 per square foot (1999 – $34 million or $12 per square foot) was incurred to renew existing tenants. In total dollars, the Corporation expects that the lease-up of vacant space in the properties acquired since 1997 will continue to contribute to higher spending on tenant installation costs. Furthermore, in 2001, significant scheduled large tenant lease expiries occur in the Dallas, Washington, D.C. and Los Angeles portfolios and as such, tenant installation costs on a per square foot basis are anticipated to rise in 2001. In 2000, approximately $83 million (1999 – $84 million) of the tenant installation costs were attributable to 6.2 million square feet (1999 – 4.6 million square feet) of leasing activity at properties acquired since 1997.

CAPITAL EXPENDITURES

To maintain the quality of its properties and preserve competitiveness and long-term value, TrizecHahn pursues an ongoing program of capital expenditures, certain of which are not recoverable from tenants. In 2000, recurring capital expenditures for the U.S. office portfolio were $8 million or 19¢ per square foot owned, as compared to $10 million or 17¢ per square foot owned in 1999. The Corporation believes that recurring maintenance capital expenditures for the office portfolio will average approximately 15¢ - 20¢ per square foot owned on an annual basis.

In addition to recurring maintenance capital expenditures, expenditures were made in connection with non-recurring events such as code-required enhancements and upgrades to common areas, lobbies and elevators. Furthermore, as part of its office acquisition strategy, the Corporation has routinely acquired and repositioned properties, many of which have required significant capital improvements due to deferred maintenance and the existence of shell space requiring initial tenant build-out at the time of acquisition. In addition, some of these properties required substantial renovation to enable them to compete effectively. The Corporation takes these capital improvement and new leasing tenant inducement costs into consideration at the time of acquisition. For 2000, total

non-recurring capital expenditures for the U.S. office portfolio totaled $45 million on a proportionate share basis, as compared to $19 million in 1999. The Corporation anticipates that non-recurring capital expenditures for the existing portfolio will decline in future years as recently acquired properties are brought to standard and repositioning is completed.

ANALYSIS OF NET INCOME

Net income in 2000 was $222 million, $1.44 per share or $1.43 diluted, up from $94 million, $0.61 per share or $0.60 diluted in 1999. The significant increase in net income for 2000 compared with 1999 is not indicative of the state of the ongoing business. Rather, it includes the effect of several non-recurring items. The following table summarizes the key recurring and non-recurring components of net income for 2000, 1999 and 1998.

Net Income Analysis
For the years ended December 31

($ millions)	2000	1999	1998
FUNDS FROM REAL ESTATE OPERATIONS	$ 326	331	269
Less recurring items			
Depreciation expense	(115)	(99)	(74)
Exchangeable debentures interest expense, net	(12)	(15)	(24)
INCOME BEFORE THE FOLLOWING NON-RECURRING ITEMS	199	217	171
Less non-recurring items			
Gain (loss) on sale of properties	1	(44)	452
Provision for diminution in value	(131)	–	–
Reorganization costs	(28)	(6)	–
Losses from investments	(20)	–	–
Foreign exchange losses	(71)	–	(8)
Loss on early debt retirement	–	(20)	–
Gain on sale of Barrick shares	–	–	202
Income and other corporate taxes	272	(53)	(287)
NET INCOME	$ 222	94	530
NET INCOME PER SHARE			
Basic	$ 1.44	0.61	3.46
Diluted	$ 1.43	0.60	3.37

Recurring Items

Depreciation expense was $16 million higher than the prior year due, in part, to the full year impact of the acquisitions made in early 1999 and development properties coming on-stream, offset by the impact of dispositions. Depreciation expense also increases with the build-up of tenant installation costs, which are amortized over the term of the respective lease, and with the compounding effect of applying the sinking fund method of depreciation. In 2000, the depreciation expense related to the amortization of tenant installation costs for the U.S. office portfolio amounted to $50 million (1999 – $36 million). As previously noted, the Corporation intends to adopt the straight-line method of building depreciation on a retroactive basis in 2001. For the year 2000, building depreciation for the U.S. office portfolio under the straight-line method would have been approximately $106 million compared to $41 million under the Canadian GAAP sinking fund method.

In March 1999, the Corporation re-financed $600 million of exchangeable debentures. The current year benefited from the full year impact of the reduction in total principal amount and the reduced effective interest rate on the debt.

Non-Recurring Items

During the year, the Corporation sold substantially all of its Canadian office portfolio, several non-core properties in the United States and certain properties in Europe for a net pre-tax gain of $1 million. This pre-tax gain was comprised of a gain of $18 million for the United States properties, a loss of $8 million for the Canadian office portfolio and a loss of $9 million for the European properties. In 1999, the Corporation sold certain non-core U.S. retail assets and committed to sell the remaining properties. As a result, the Corporation recorded an estimated loss of $44 million. In 1998, the Corporation sold substantially all of its U.S. retail center portfolio, recording a net pre-tax gain on sale of $452 million.

Non-core properties held for disposition are carried at estimated net realizable value. In certain cases, the net realizable values have been calculated taking into consideration possible disposal dates extending out into 2003 and 2004, reflecting the time required to complete developments and to stabilize income levels in order to optimize disposition values. During the current year, a provision for

diminution in value of $131 million was recorded against properties held for disposition to adjust carrying values. The majority of the provision related to the European retail/entertainment operations ($116 million) with the remainder related to the planned sale of the balance of the remaining Canadian properties ($12 million) and four non-core U.S. office properties ($3 million). In Europe, approximately $73 million of these losses relate to the Corporation's German operations, where anticipated realizable values have been impacted by adverse market conditions in Dresden and by the notification in January 2001, of a partner's intention to unilaterally terminate the joint venture for the development of the Westend Plaza project in Frankfurt. The Corporation is contesting the ability of its partner to terminate the joint venture. In addition, approximately $14 million relates to the Czech Republic, and approximately $17 million relates to development projects abandoned earlier in the year. No provisions were considered necessary for the Corporation's investments in Hungary and Slovakia.

As a result of the decision in 2000 to reorganize its European retail/entertainment operations, the Corporation has recorded a $24 million charge related to European downsizing and employee termination costs. In addition, the Corporation incurred incremental professional advisory fees in the current and prior year in order to explore certain strategic transactions and to optimize its corporate structure for tax purposes.

During the year, the Corporation recorded $20 million of losses from investments. These relate primarily to certain non-core technology initiatives pursued by the Corporation during 2000. The losses did not relate to the technology center business. The losses include equity losses from significantly influenced investees together with estimated provisions for permanent impairment in value of $12 million and realized losses of $8 million.

As a consequence of the sale and substantial liquidation of a majority of the Corporation's Canadian office properties and the resulting reduction in capital invested in Canada, the full dollar amount of the historic foreign currency translation loss of $63 million accumulated in the "foreign currency translation adjustment" account related to Canadian operations was recognized as an expense. In addition, the sale of certain European property operations and the resulting repatriation of invested capital resulted in the recognition of a portion of the historic European foreign currency translation loss of $8 million as an expense. At the end of the year, $62 million of foreign currency translation adjustments remained as a component of shareholders' equity related to European operations. This amount will fluctuate in the future, based on currency movements applied to the translation of assets, liabilities and operations. Appropriate amounts will be included in income as operations are disposed of and invested capital is repatriated.

At December 31, 2000, the Corporation's Canadian dollar long-term debt is no longer a hedge of a self-sustaining foreign currency operation and, as a result, future foreign currency translation gains or losses will be deferred and amortized over the remaining life of the debt.

As a consequence of the early retirement, in 1999, of the $600 million of exchangeable debentures, the Corporation expensed the remaining unamortized $20 million of deferred financing costs associated with these debentures. In 1998, the Corporation sold its unencumbered shares of Barrick for gross proceeds of $513 million. The pre-tax gain generated by the sale amounted to $202 million. In addition, as a consequence of this sale, the Corporation recorded an $8 million expense representing a portion of the historic foreign currency translation adjustment related to the translation of the Barrick investment during prior periods.

Income and Other Corporate Taxes

In the first quarter of 2000, the Corporation adopted the provisions of the CICA Handbook Section 3465, "Income Taxes" (the "standard"). The standard requires the use of the liability method of accounting for future income taxes (formerly deferred income taxes) based on differences between the carrying amounts of assets and liabilities for tax and accounting purposes. This standard is similar to that under U.S. GAAP. In accordance with the transitional provisions of the standard, the Corporation has chosen not to restate prior period financial statements. Implementation of the standard had the effect, as of January 1, 2000, of: increasing the cost of properties by $15 million; increasing future income tax liabilities on the balance sheet by $140 million; and reducing retained earnings by $125 million. Income tax information for fiscal 1999 and 1998 prepared under the previous standard using the deferral method of accounting for income taxes is provided in Note 7f to the Consolidated Financial Statements.

The following summarizes the key components of the 2000 provision for income and other corporate taxes.

Income and Other Corporate Taxes

($ millions)	
FUTURE/DEFERRED TAXES	
Operations	$ (51)
Provision for diminution in value	56
REIT election	368
TAXES PAYABLE	
Canadian property sales	(9)
REIT election	(92)
	$ 272

TrizecHahn's provision for future income taxes against operations was approximately 26% of pre-tax income before non-recurring items in 2000. This rate is lower than the combined basic Canadian federal and provincial income tax rate of approximately 42%, due largely to lower income tax rates applicable to income earned from operations in the United States and Europe, the benefit of foreign withholding tax credits and the cumulative impact of changes in capital gains and income tax rates.

The Corporation recorded the benefit of future tax assets related to the provision for diminution in value, reorganization costs and losses from investments in the amount of $56 million.

In 2001, THUSA will become a wholly-owned REIT, and as such should not be liable in the future for U.S. income taxes on the earnings from its U.S. office portfolio to the extent that the requisite amount of those earnings are distributed. As previously noted, however, on a go-forward basis, such mandatory distributions will attract withholding taxes at a current anticipated aggregate rate of 10%. As THUSA will not be liable for U.S. income taxes, its existing net future tax liability position of $410 million was eliminated at December 31, 2000 and credited to income. The benefit of this elimination was offset by the recording of a $42 million future tax liability, which represents the 10% effective rate applied to the difference between the Corporation's carrying value and tax basis in its THUSA share investment. It is anticipated that this difference will reverse over time as THUSA is required to make mandatory REIT distributions.

The net future tax recovery of $368 million was further offset by a one-time charge of $92 million arising as a result of THUSA electing REIT status. This charge included $32 million for withholding taxes associated with the distribution that THUSA must make to pay out its pre-REIT "Earnings and Profits." The distribution and resulting liabilities must be paid in fiscal 2001. An additional $60 million liability is payable in fiscal 2002 resulting from the deemed liquidation, as a result of its electing REIT status, of all of THUSA's subsidiary corporations.

At December 31, 2000, THUSA had disposed of certain assets and had identified four additional office properties for disposition. No material future tax liability is anticipated as THUSA can acquire other U.S. properties in accordance with the "like-kind exchange" provisions of section 1031 of the U.S. Internal Revenue Code.

ACQUISITION AND DEVELOPMENT ACTIVITY

As reflected in the Consolidated Statements of Cash Flows, the following property investment activities occurred in 2000.

Property Investment Analysis

	Office		Retail/ Entertainment		Global	
($ millions)	U.S.	Canada	U.S.	Europe	Switch	Total
Acquisitions	$ 83	–	–	–	–	83
Development expenditures	111	21	263	134	100	629
Tenant installation and capital expenditures (excluding free rent granted)	138	17	2	2	–	159
Dispositions of rental properties, net	(384)	(1,166)	(44)	(156)	–	(1,750)
Net property investment activities	$ (52)	(1,128)	221	(20)	100	(879)

The $83 million of U.S. property acquisitions relate to the acquisition of three technology center development properties in Seattle, Boston and Chicago, totaling 1.6 million square feet.

Development expenditures in the U.S. office group reflect completion of Beaumeade Corporate Park in Washington, D.C. and One Reston Place in Virginia which came on-stream in the fourth quarter of 2000. In addition, 3100 Interstate North Parkway in Marietta, Georgia was completed by year end and came on-stream 86% leased in January 2001. In addition, development expenditures were incurred on One Alliance Center in Buckhead, Georgia, a 560,000 square foot office property which is scheduled for completion in October 2001. The project is currently 32% pre-leased with a further 35% under negotiation.

Development expenditures in the Canadian office group reflected the completion of construction of Bankers Hall West Tower in Calgary prior to disposition. In the U.S. retail group, development activity reflected construction at Desert Passage in Las Vegas, Paseo Colorado in Pasadena and at Hollywood & Highland in Los Angeles.

In Europe, development expenditures related primarily to the office and hotel component of the Westend City Center in Budapest, Hungary, pre-development costs at the Westend Plaza project in Frankfurt, Germany, and ongoing construction of Pólus City Center, in Bratislava, Slovakia and Bonaire Park in Valencia, Spain.

Development expenditures at Global Switch represent the Corporation's one-third share of costs incurred to construct technology centers totaling over 2 million square feet in Amsterdam, Paris, Frankfurt, Singapore, Sydney and at the second project in London, which will be completed, on a phased basis, in 2001 and 2002.

LIQUIDITY AND CAPITAL STRUCTURE

LIQUIDITY

The Corporation's objective is to ensure, in advance, that there are ample capital resources to allow it to execute its business plan. The Corporation's liquidity provides greater certainty of execution in respect of acquisition or development investments. The Corporation's willingness and ability to exercise a sell discipline, as demonstrated by the sale of the mature Canadian office and U.S. retail property portfolios, supports this objective and underlies the strategic plan which anticipates generating significant liquidity from the disciplined disposition of non-core assets.

At December 31, 2000, TrizecHahn had $348 million in cash and short-term investments and had $523 million undrawn and available in two credit facilities (a $500 million facility and a $25 million facility). Subsequent to year end, the terms of the $500 million facility were amended to reduce the facility to $300 million and to extend the revolving feature and the maturity date to August 10, 2001. The facility has two six-month extensions to August 10, 2002 as a non-revolving term facility.

[illegible]

TrizecHahn had an equity market capitalization of approximately $2.2 billion, based on the share price on the New York Stock Exchange ("NYSE") at December 31, 2000. This ranks TrizecHahn among the largest real estate companies in North America. In addition, in 2000 TrizecHahn was one of the most actively traded real estate stocks on North American exchanges.

In September 1998, the Corporation commenced the acquisition, on the NYSE, of subordinate voting shares for cancellation. In May 2000, the Corporation commenced a normal course issuer bid pursuant to the rules of the Toronto Stock Exchange. In 2000, approximately 10.7 million subordinate voting shares were purchased for cancellation at an average cost of $15.97 per share, for a total cost of $172 million (1999 – 2.2 million shares, average cost $18.75 per share, total cost of $41 million; 1998 – 0.7 million shares, average cost $18.93 per share, total cost of $14 million).

In 1999, approximately 13.8 million warrants were exercised at a price of C$14.14 each, resulting in the issuance of 8.0 million subordinate voting shares of the Corporation, for a total cash consideration of $133 million.

The Corporation has historically sought to re-invest its cash flow in real estate acquisitions and developments and higher-growth investments in order to increase shareholder value. Therefore, it has established a dividend payout level that is consistent with a growth-oriented company in which capital is retained for re-investment.

In 2000, the Corporation paid dividends aggregating 35¢ per share. Subsequent to year end, the Corporation declared a semi-annual dividend of 17.5¢ per share.

In future, under the Corporation's strategic plan, significant cash is anticipated to be generated from non-core asset dispositions. The Corporation will assess uses of this cash on an ongoing basis. It currently expects that net proceeds will be utilized to retire corporate unsecured debt over time.

Uses of surplus cash will be evaluated on a risk-adjusted return basis that yields maximum shareholder value. Alternate uses could include an increased dividend payout level to shareholders, further share buybacks and U.S. office property acquisitions and developments.

The Corporation continues to follow a conservative financial strategy by maintaining a strong balance sheet and prudent leverage.

Leverage Ratios	2000	1999	1998
Net debt to total book capital	**59%**	62%	59%
Net debt to total market capitalization	**56%**	59%	49%

The leverage ratio is the ratio of long-term debt less cash and short-term investments ("net debt") to the sum of net debt, future income taxes and either the book value or market value of shareholders' equity. The exchangeable debentures are excluded from the calculations as they can be satisfied through the delivery of the underlying Barrick shares.

At December 31, 2000, long-term debt was approximately $3.6 billion. As reflected in the Consolidated Statements of Cash Flows, the following long-term debt financing activities occurred in 2000.

Long-term Debt Analysis

($ millions)

Property financing and credit line activity	$ 327
Development financing	217
Debt repaid on dispositions	(870)
Repayment of unsecured debentures	(187)
Property debt maturities and paydowns	(90)
Regular principal repayments	(50)
NET LONG-TERM DEBT FINANCING ACTIVITIES	$ (653)

During 2000, the Corporation arranged approximately $1 billion in financing, including undrawn facilities.

At December 31, 2000, collateralized property loans totaled $3.0 billion. Of these loans, approximately $2.7 billion is collateralized by properties located in the United States and $314 million in Europe and Canada. The remaining $575 million consists primarily of four facilities, the $168 million Senior Notes and three issues of Canadian-dollar-denominated unsecured debentures totaling $367 million. Of the total long-term debt, $3.0 billion or 82% is denominated in U.S. dollars, $225 million or 6% is denominated in European-based currencies and the balance of $423 million or 12% is denominated in Canadian dollars.

The table below summarizes long-term debt information on a basis consistent with the strategic plan.

Long-term Debt Information

($ millions)	U.S. Office Properties	Properties Held for Disposition	Corporate Unsecured Debt and Other	Total
PRINCIPAL REPAYMENTS				
DUE IN 2001	$ 840	23	24	**887**
2002	169	39	168	**376**
2003	275	159	1	**435**
2004	652	17	100	**769**
2005	187	19	168	**374**
SUBSEQUENT TO 2005	503	150	117	**770**
TOTAL	$ 2,626	407	578	**3,611**
WEIGHTED AVERAGE INTEREST RATE	7.50%	7.06%	8.03%	**7.53%**
WEIGHTED AVERAGE TERM TO MATURITY	3.2 yrs.	8.5 yrs.	3.8 yrs.	**3.9 yrs.**

At December 31, 2000, approximately $1.1 billion or 31% of the Corporation's total long-term debt was on an unhedged, floating-rate basis. Based on debt levels, interest rate hedges and interest rates in effect at December 31, 2000, a change of 100 basis points in the interest rate would have an approximately $5 million annualized impact on net interest expense, after being partially offset by higher interest income on the Corporation's cash balances invested.

To better maintain the cost-effectiveness and flexibility of its capital plan, the Corporation continually monitors short-term and long-term interest rates, entering into long-term, fixed-rate loan arrangements or interest rate swap and cap contracts to manage the interest rate risk on its long-term debt and the impact of rising interest rates on cash flow.

Due to its active asset management and development strategy, the Corporation has intentionally maintained a portion of its debt on a floating-rate basis. This provides TrizecHahn flexibility for sales, developments, investments and refinancings without high prepayment penalties once lease-up strategies are completed. This strategy will continue to be applied to the long-term debt related to the non-core assets held for disposition. At December 31, 2000, 80% of this debt was floating rate.

In 2001, consistent with a more stabilized core U.S. office portfolio and to address scheduled maturities, the Corporation is planning to refinance up to $1.2 billion of existing long-term debt. This would spread maturities beyond five years, capitalize on favorable current long-term interest rates and reduce the variable rate debt exposure of the portfolio which at December 31, 2000 was 33% of total U.S. office debt. The resulting property leverage for the U.S. office business is anticipated to be comparable to its REIT peer group, which approximates 50% loan to property value.

As previously noted, under the strategic plan, corporate unsecured debt maturities and repayments will be addressed through the use of proceeds from non-core asset dispositions.

OUTLOOK: RISKS AND OPPORTUNITIES

U.S. OFFICE

The performance of TrizecHahn's U.S. office portfolio is affected by the supply of, and demand for, office space. Macroeconomic conditions, such as current and expected growth in the economy, business and consumer confidence and employment levels, drive this demand. In 2000, continued broad-based improvement in the economy resulted in generally lower vacancy rates, as excess supply in the CBD office markets was gradually depleted as a result of positive absorption. Management believes that most markets are currently generally in supply and demand equilibrium. The current uncertain economic outlook and possibility of a U.S. recession will moderate anticipated absorption levels and rental rate growth while dampening the prospects for speculative building of new office space. Management believes the portfolio is well-positioned to continue to perform through these more uncertain economic times, due to its diversified tenant and geographic asset base, located in the top job-growth cities in the U.S.

The Corporation's portfolio benefited from its position in downtown office buildings located in strong major markets throughout North America, as leases in 2000 expired at an average net rent of approximately $12.45 per square foot and were generally being signed at an average net rent per square foot of approximately $14.45. The average in-place rents for properties in all regional markets are generally considered to be below current market rents as indicated in the following table.

U.S. Office Market vs. In-Place Rental Rates

At December 31, 2000	Average In-Place Net Rent (U.S.$ psf)	Average Market Net Rent[1] (U.S.$ psf)	Average Lease Term (years)
REGION			
Northeast	16	33	9
Mid-Atlantic	16	19	4
Southeast	11	13	4
Midwest	10	12	5
Southwest	10	13	5
West	13	14	4
U.S. PORTFOLIO	12	17	5

(1) Management's estimate of current net market rent for similar quality space in the same market.

For the total TrizecHahn U.S. office portfolio, market rents are on average approximately 37% above in-place rents. These market conditions, combined with the lease maturities in regional markets as shown in the following table, are expected to contribute positively to cash flow in 2001 and future years.

U.S. Office Expiries	2001		2002		2003		2004		2005	
	000's sq. ft.	US$ psf	000's sq. ft.	US$ psf	000's sq. ft.	US$ psf	000's sq. ft.	US$ psf	000's sq. ft.	US$ psf
REGION										
Northeast	148	25	345	18	419	14	731	15	436	18
Mid-Atlantic	663	17	779	15	471	18	377	17	676	18
Southeast	1,352	11	1,199	11	1,036	12	569	13	973	15
Midwest	874	8	913	10	955	9	778	10	784	12
Southwest	1,761	12	1,303	13	2,211	9	1,206	11	1,129	11
West	614	13	333	11	390	17	219	15	209	16
U.S. PORTFOLIO	5,412	12	4,872	13	5,482	11	3,880	13	4,207	14
PERCENTAGE OF TOTAL OCCUPIED SPACE	14%		13%		14%		10%		11%	

Over the next five years, scheduled lease expirations in the U.S. office portfolio average approximately 12% annually, based on occupied space. Rental revenue will also benefit from contractual steps on existing leases in place, which amount to approximately $9 million in 2001. Aggregate contractual increases in office rents for the five years ending December 31, 2005 will amount to approximately $128 million on a cumulative basis. In addition, the vacant space in the office portfolio (94% occupied at December 31, 2000) represents an opportunity to increase cash flow from continued leasing efforts. The Corporation currently has over 30% of 2001 projected leasing activity completed.

The Corporation's high-quality, diversified tenant and geographic asset base makes it better able to perform throughout the various phases of economic cycles and adds to the durability of future cash flow. The Corporation's ten largest tenants account for 17% of total U.S. office rental income, with no single tenant larger than 4%. The following table summarizes the breadth and diversity of the 2,800 tenants in the portfolio at December 31, 2000.

Tenant Mix by Industry	% of Owned Area
Banking/Securities Brokers	14%
Oil & Gas	10%
Legal Services	9%
Computers/Communications	9%
Insurance/Non-Bank Financial	8%
Business Services	7%
Wholesalers/Retailers	6%
Engineering/Architectural Services	4%
Government	4%
Health Services	3%
Other	26%
	100%

This large tenant base and strong position in key markets also allows the Corporation to take advantage of economies of scale and drive additional internal growth in the areas of parking, riser management, telecommunications and antennas, specialty retail leasing, signage and branding opportunities, energy and national purchasing contracts. The core portfolio's overall exposure to the "new economy" and technology sector tenants has been and continues to be relatively minor. The underwriting of these tenants is conservative, focused on creditworthiness and requires significant tenant collateral where appropriate.

TECHNOLOGY CENTERS

TrizecHahn's equity investment in Global Switch at the end of the year was approximately $160 million. In addition, the Corporation has provided a $25 million loan to the Global Switch management group to fund 30% of their equity commitments, bringing the total investment at December 31, 2000 to approximately $185 million. In 2001, TrizecHahn will continue to manage its investment in Global Switch prudently, focusing Global Switch management on completing construction and leasing of the highest-potential locations in London, Amsterdam, Paris, Frankfurt, Singapore and Sydney. The Corporation is considering a further equity investment in Global Switch of up to $60 million, not including any obligation under the put option as described in Note 10 to the Consolidated Financial Statements. Global Switch is seeking third-party capital to help expand and solidify its global footprint and to confirm the franchise value-creation to date.

In North America, the Corporation is re-evaluating its approach in light of the changing industry environment. The status of the Toronto technology center at 151 Front Street West and development sites in Boston, Chicago and Seattle will be reviewed in conjunction with Global Switch.

While the technology centers business has strong growth prospects, its inherent risk profile is greater than traditional real estate development and foreign operations risk exposure. These additional risk areas include: changes in economic, technological and business conditions specific to the telecommunications and Internet industry and our principal tenants; dependency on third parties for adequate power, access to diverse fiber networks and Internet connectivity; changes in laws and regulations governing Internet services, related communications services and information technologies and electronic commerce; difficulty in hiring, training and retaining sufficient operational and technical talent given new and rapidly evolving markets; the ability to establish a managed-services business to provide value-added services including network management and web-hosting in a highly competitive marketplace whose success is dependent upon effective marketing, the continued trend of businesses to outsource, and the provision of adequate customer service levels; and the fact that the anticipated timing and amount of capital requirements is inherently uncertain given that the timing of roll-out plans may be affected by unforeseen construction delays and the amount of time it takes to lease space and the resulting financability of the technology centers.

In Europe, operations have been downsized and the execution of the disposition plan began in late 2000 with the sale of Number One Poultry in London, England and of the Corporation's interest in the Principe Pio re-development project in Spain. Subsequent to year end, the Corporation sold its interest in the Porto Allegro retail/entertainment center in Italy. In November 2000, the Corporation opened the retail/entertainment component of the 625,000 square foot Pólus City Center development in Bratislava, Slovakia. The center was 89% occupied at year end with the 90% pre-leased office component scheduled to open in March 2001. The remaining development to be completed in Europe is Bonaire Park in Valencia, Spain, a 1.2 million square foot retail and leisure park. The Corporation holds a 49% joint venture interest in the project with a prominent local developer. The 1 million square foot first phase is expected to open during the second quarter of 2001 and is 94% pre-leased.

In North America, the Corporation is completing its development and stabilization of three destination-oriented retail/entertainment centers. Hollywood & Highland, in Los Angeles, is a 645,000 square foot, $380 million complex (excluding the $160 million hotel component and net of $100 million of municipal financing and contributions). The project is currently 68% pre-leased and is scheduled to open in November 2001. While the costs of the project have exceeded the original forecast, the Corporation anticipates that additional revenue from sponsorship and other marketing opportunities will allow the project to achieve its targeted risk-adjusted returns. Construction is well underway at Paseo Colorado, a 565,000 square foot, $110 million (net of $25 million of municipal contributions) mixed-use re-development in Pasadena, California. The project is currently 87% pre-leased and is scheduled to open in September 2001. Desert Passage in Las Vegas, a 475,000 square foot, $290 million retail/entertainment complex (TrizecHahn's share is $190 million) within the Aladdin Hotel and casino complex, successfully opened in August 2000 and is currently 89% pre-leased and 80% occupied at year end. The Corporation plans to hold all three North American development projects until they are completed and stabilized in order to realize maximum value upon disposition.

At December 31, 2000, the Corporation's share of expenditures required to complete properties under development was estimated at $415 million for which construction financing facilities have been arranged.

By their very nature, existing or future development activities entail certain risks, including the following: expenditure of funds on projects that may not come to fruition; development costs of a project may exceed original estimates, possibly making the project uneconomic; occupancy rates and rents at a completed project may be less than anticipated; operating expenses of a completed development may be higher than anticipated; permits and other governmental approvals may not be obtained. Among the methods used by TrizecHahn to manage these risks and to achieve desired financial returns are: analyzing markets effectively; seeking out and working with capable and successful local partners; securing significant pre-leasing commitments from tenants; negotiating reliable construction contract pricing; and pre-arranging flexible construction financing.

Based on current estimates, the Corporation anticipates generating net proceeds, after debt repayment, from the sale of non-core operating assets and developments of approximately $1 billion. The Corporation's ability to execute the disposition plan for these assets, as currently contemplated, is dependent upon the future economic environment, joint venture considerations and local property market conditions.

OVERALL OUTLOOK

In 2000, the Corporation created the foundation for, and commenced execution of, a strategic plan that will benefit the Corporation in 2001 and future years. Specifically, it:

- Determined to elect REIT status for its wholly-owned U.S. office properties subsidiary and strengthened the quality, critical mass and strong market position of its office property REIT to generate "same-property" internal growth of 8%, with a positive uplift in rental rates upon re-leasing of space. Future results will benefit from the rollover of space to market rents that are 37% higher than in-place rents, the lease-up of vacant space to stabilized levels, the implementation of complementary operating initiatives focused on cost controls and the realization of benefits from a singular focus on the core business.
- Commenced the monetization of non-core assets through the sale of the mature Canadian office portfolio, disciplined culling of the U.S. office portfolio and initiation of an exit plan from Europe focused on realizing value from real estate franchises created in Hungary, Slovakia and Spain.
- Established a technology center business through Global Switch, based on a solid European and international facilities platform.

The objective in the short and medium term is to close the disparity between underlying asset values and share price performance. Consistent with the strategic plan, in 2001, the Corporation will continue to enhance its U.S. office portfolio to create internal growth in operating cash flow, will continue to realize and optimize the value of non-core assets, particularly in Europe, and will seek to capitalize upon its first-mover advantage in the technology center business. Through focusing on the execution of its strategic plan, the Corporation will continue to pursue the mandate of creating long-term shareholder value.

CONSOLIDATED BALANCE SHEETS

As at December 31 (U.S.$ millions)	Note	2000	1999
Assets			
Properties	2	$ 6,297.5	7,468.0
Cash and short-term investments		348.1	263.3
Investments	3	452.8	407.4
Other assets	4	308.6	321.6
		$ 7,407.0	8,460.3
Liabilities			
Long-term debt	5	$ 3,610.6	4,495.0
Exchangeable debentures – carrying amount	6	496.3	536.0
– deferred amount	6	394.6	354.9
Accounts payable and accrued liabilities	4	646.4	487.7
Future income taxes	7	134.1	361.6
		5,282.0	6,235.2
Shareholders' Equity	8	2,125.0	2,225.1
		$ 7,407.0	8,460.3

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Peter Munk,
Director

Christopher Mackenzie,
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 (U.S.$ millions, except per share amounts)	Note	2000	1999	1998
Rental Operations				
Rental revenue		$ 1,176.6	1,188.8	963.5
Operating expenses		(394.8)	(392.6)	(313.6)
Property taxes		(126.1)	(143.5)	(107.5)
Rental Income		655.7	652.7	542.4
General and administrative expense		(39.8)	(38.2)	(35.4)
Interest expense, net	5	(271.3)	(272.0)	(230.8)
Real Estate Operating Income before the following items		344.6	342.5	276.2
Depreciation expense		(115.1)	(98.7)	(73.8)
Exchangeable debentures interest expense, net		(12.2)	(14.6)	(23.8)
Gain (loss) on sale of properties, net	2	1.0	(43.6)	452.2
Provision for diminution in value and reorganization costs	9	(158.6)	(6.4)	–
Losses from investments	3	(20.2)	–	–
Foreign exchange losses	8	(71.4)	–	(8.5)
Loss on early debt retirement	6	–	(20.0)	–
Gain on sale of Barrick shares		–	–	201.6
Income (loss) before taxes		(31.9)	159.2	823.9
Income and other corporate taxes recovery (expense)	7	254.2	(65.2)	(294.4)
Net Income		$ 222.3	94.0	529.5
Net Income per share	14			
Basic		$ 1.44	0.61	3.46
Diluted		$ 1.43	0.60	3.37

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31 (U.S.$ millions)	Note	2000	1999	1998
Retained Earnings, beginning of year		$ 1,037.0	1,019.5	544.5
Cumulative effect of change in accounting policy for income taxes	7	(125.3)	–	–
Net Income		222.3	94.0	529.5
Dividends	8	(54.1)	(52.4)	(46.0)
Subordinate voting shares purchased and cancelled	8	(85.3)	(24.1)	(8.5)
Retained Earnings, end of year		$ 994.6	1,037.0	1,019.5

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (U.S.$ millions, except per share amounts)	Note	2000	1999	1998
Cash flow from (applied to)				
Operating Activities				
Real estate operating income		$ 344.6	342.5	276.2
Current operating taxes	7	(18.5)	(11.7)	(6.9)
Funds from real estate operations		326.1	330.8	269.3
Exchangeable debentures interest expense, net		(12.2)	(14.6)	(23.8)
Reorganization costs		(10.3)	(6.4)	–
Incremental withholding taxes	7	–	(7.6)	–
Net change in operating working capital	4	(56.7)	(20.5)	9.3
Total operating cash flows		246.9	281.7	254.8
Financing Activities				
Long-term debt				
Acquisition financing		–	383.1	1,150.6
Development financing		217.4	187.9	80.4
Property financings and credit line activity		327.1	579.6	297.4
Unsecured debentures issued (repaid)		(186.5)	–	188.5
Principal repayments		(140.3)	(711.2)	(301.7)
Repaid on dispositions		(870.3)	(1.4)	(20.1)
Financing of retail partnership interests		–	–	90.3
Exchangeable debentures issued	6	–	404.8	–
Exchangeable debentures redeemed	6	–	(392.9)	–
Issue of shares	8	1.6	136.3	8.1
Shares purchased and cancelled	8	(171.5)	(40.6)	(14.1)
Dividends paid		(54.1)	(52.4)	(46.0)
Total financing cash flows	4	(876.6)	493.2	1,433.4
Total Operating and Financing Activities		(629.7)	774.9	1,688.2
Investing Activities				
Properties				
Acquisitions		(82.8)	(661.5)	(2,520.6)
Development expenditures		(629.2)	(425.1)	(370.4)
Tenant installation costs		(103.5)	(119.6)	(100.9)
Capital expenditures		(55.7)	(38.2)	(26.8)
Acquisitions of retail partnership interests		–	–	(311.1)
Dispositions		1,750.4	21.0	1,628.1
Initial investment in Global Switch	10	(74.2)	–	–
Barrick share sale and installment receivable		–	174.8	330.3
Funds provided from (invested in) other assets and liabilities		(90.5)	48.5	(21.7)
Total investing cash flows	4	714.5	(1,000.1)	(1,393.1)
Net Increase (Decrease) in Cash and Short-term Investments		84.8	(225.2)	295.1
Cash and Short-term Investments, beginning of year		263.3	488.5	193.4
Cash and Short-term Investments, end of year		$ 348.1	263.3	488.5
Funds from real estate operations per share	14			
Basic		$ 2.11	2.13	1.76
Diluted		$ 2.10	2.10	1.71

See accompanying notes to the consolidated financial statements

For the years ended December 31, 2000, 1999 and 1998
(tabular amounts in U.S.$ millions, except per share amounts)

1 Significant Accounting Policies

The consolidated financial statements of TrizecHahn Corporation ("TrizecHahn" or "the Corporation") are prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("Canadian GAAP"). These principles differ in certain respects from those generally accepted in the United States ("U.S. GAAP"), and are described in Note 16, "Differences from United States Accounting Principles."

The Corporation's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). In the United States, the National Association of Real Estate Investment Trusts ("NAREIT") has adopted a measurement called Funds From Operations ("FFO") to supplement net income as a measure of operating performance. This measurement is consistent with CIPPREC's presentation and is considered to be a meaningful and useful measure of real estate operating performance. FFO does not represent cash flow from operations as defined by Canadian GAAP. This measure is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be materially different from those estimates.

The Corporation has adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook sections on "Income Taxes" and "Earnings Per Share." The effects of the new accounting recommendations are described in Notes 7 and 14, respectively.

Certain comparatives have been reclassified to conform to the current year's presentation.

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and of all subsidiaries of the Corporation where more than 50% of the voting shares are owned and the accounts of all incorporated and unincorporated joint ventures and partnerships to the extent of the Corporation's proportionate interest in their respective assets, liabilities, revenues, expenses and cash flows. All material intercompany transactions have been eliminated.

b. Reporting Currency and Foreign Currency Translation

The consolidated financial statements have been presented in U.S. dollars because it is the currency of the primary economic environment in which the Corporation conducts its operations.

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate for the period. The Corporation's foreign currency operations in Canada and Europe are considered to be self-sustaining. Cumulative gains or losses arising from the translation of the assets and liabilities of these operations are recorded as a separate component of shareholders' equity until there is a reduction in the net investment in these foreign operations, at which time an appropriate amount is included in the determination of net income.

Long-term debt which is denominated in foreign currencies, and is not a hedge of a net investment in a self-sustaining foreign operation, is translated into U.S. dollars at the rate of exchange in effect at the balance sheet date and the resulting gains or losses are deferred and amortized over the remaining life of the debt. At December 31, 2000, the Corporation's Canadian dollar long-term debt is no longer a hedge of a self-sustaining foreign currency operation.

In these financial statements, unless otherwise indicated, all dollar amounts are expressed in United States dollars, references to "U.S.$" and "$" are to United States dollars and references to "C$" are to Canadian dollars.

c. Properties – Held for the Long Term

i. Rental properties

Rental properties held for the long term are recorded at the lower of cost, less accumulated depreciation, and estimated net recoverable amount. Net recoverable amount is the undiscounted projected future net cash flow to be generated from the property throughout its useful life, including its residual value, and is intended to determine recoverability of an investment and is not an expression of a property's fair market value.

Depreciation of rental properties is determined using the sinking fund method under which an increasing amount consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum is charged to income so as to fully depreciate the buildings and improvements over their estimated useful lives of 30 to 50 years, subject to the terms of any respective ground leases.

Tenant installation costs consisting of tenant allowances (including free rent granted) and leasing costs are deferred and amortized on a straight-line basis over the term of the respective lease. Consistent with U.S. GAAP, tenant installation costs are presented as investing activities within the consolidated statements of cash flows.

Maintenance and repair costs are expensed against operations as incurred, while significant improvements, replacements and major renovations are capitalized to rental properties.

Furniture, equipment and certain improvements are depreciated on a straight-line basis over periods of up to 10 years.

ii. Properties under and held for development

Properties under development consist of rental properties under construction and are recorded at the lower of cost, including pre-development expenditures, and net recoverable amount. Properties held for development are recorded at the lower of cost and net recoverable amount.

d. Properties – Held for Disposition

Properties held for disposition include certain properties that are determined to no longer be core assets under the strategic plan of the Corporation, and as such the Corporation has decided to dispose of these properties in an orderly manner. Properties held for disposition are recorded at the lower of cost and net realizable value. Net realizable value is determined based on management's estimate of amounts that would be realized if the property were offered for sale in the ordinary course of business, assuming a reasonable sales period and under normal market conditions. Carrying values are reassessed at each balance sheet date.

e. Capitalized Costs

The cost of properties under development includes all expenditures incurred in connection with the activities of acquiring, developing and constructing these properties. These expenditures consist of all direct costs including initial leasing costs, interest on general and specific debt and other direct expenses considered applicable.

Revenues relating specifically to such properties are treated as a reduction of costs until such time as construction is substantially completed and the property is available for occupancy.

f. Income Recognition

i. Revenue from a rental property is recognized once the property is substantially completed and available for occupancy. Prior to this time, the property is categorized as a property under development. The Corporation has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes minimum rents, participating percentage rents once thresholds have been achieved and recoveries of operating expenses and property, capital and large corporation taxes. In addition, where the Corporation grants tenant allowances in the form of free rent, an imputed rental revenue is recognized over the rent-free period. Lease termination fees are recognized when received.

ii. Income from the sale of properties is recorded when the collection of the proceeds of sale is reasonably assured and all other significant conditions and obligations are met.

g. Cash and Short-term Investments

Cash and short-term investments consist of liquid investments, such as time deposits, money market instruments, commercial paper, and Canadian and U.S. government securities carried at the lower of cost and quoted market value.

Cash and short-term investments include $92.1 million (1999 – $79.2 million) at the property level which is designated primarily for tenant installation costs and certain mortgage debt servicing.

h. Investments

The Corporation accounts for investments over which it exercises significant influence by the equity method. This method adjusts the original cost of the investment for the Corporation's share of net income or losses and changes in shareholders' equity, less dividends received.

Investments in which the Corporation does not exercise significant influence are accounted for by the cost method. Income is recognized only to the extent of dividends received.

The carrying value of investments which the Corporation considers to have a permanent impairment in value are written down to their estimated realizable value.

i. Exchangeable Debentures

The carrying amount of the Corporation's exchangeable debentures is based on the market price, on the balance sheet date, of the underlying Barrick shares that would be exchanged to extinguish the debenture liability.

As it is contemplated that delivery of the underlying Barrick shares will be made in satisfaction of the liability, hedge accounting is used whereby the difference between the carrying amount and the original issue amount of the debentures is recorded as a deferred amount until such time as there is a disposal of the underlying Barrick shares.

j. Income Taxes

Effective January 1, 2000, the Corporation follows the liability method of accounting for future income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

Provisions are made for future tax liabilities relating to unremitted earnings of certain of the Corporation's foreign subsidiaries where it is anticipated that such earnings will be distributed in the future. The liability is calculated based on the tax rates at which the underlying temporary differences are expected to reverse in the future. No provision is made for unremitted earnings of foreign subsidiaries which have been determined by the Corporation to be reinvested indefinitely. Income tax expense includes federal, state and other taxes.

For 1999 and prior years, the Corporation followed the tax deferral method of accounting for income taxes whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and those currently payable or recoverable are reflected in deferred income taxes and arise because of differences between the time certain items of revenue and expense are reported in the consolidated financial statements and the time they are reported for income tax purposes.

k. Financial Instruments

The Corporation uses interest rate cap and swap agreements to manage risks from fluctuations in interest rates. The Corporation accounts for cap contracts as hedges and, as a result, the carrying values of the financial instruments are not adjusted to reflect their current market values. Any amounts receivable arising from interest rate cap contracts are recognized as a reduction of interest expense on an accrual basis. Premiums paid to arrange interest rate cap contracts are deferred and amortized over the term of the contracts. Under interest rate swap agreements, payments are recognized as adjustments to interest expense when incurred. The Corporation deals with high-quality financial institutions as counterparties.

The estimated fair value of long-term debt is based on the values derived using market interest rates of similar instruments. In determining estimates of the fair value of financial instruments, the Corporation must make assumptions regarding current market interest rates, considering the term of the instrument and its risk. Current market interest rates are generally selected from a range of potentially acceptable rates and, accordingly, other effective rates and/or fair values are possible.

Deferred financing costs, which are included in other assets, are amortized to interest expense over the term of the obligation.

The carrying amounts of cash and short-term investments, other assets, accounts payable and accrued liabilities approximates their fair value due to their short term to maturity.

l. Share-Based Compensation Arrangements

As at December 31, 2000, the Corporation has three share-based compensation arrangements: escrowed share grants; a stock-linked bonus plan; and a share option plan. These are described in Note 15. Compensation expense is recognized in respect of the escrowed share grants over the vesting period of the share grants, based on the quoted market price of the underlying shares at the date of grant on a straight-line basis. Compensation expense is recognized in respect of the Corporation's stock-linked bonus plan using the intrinsic value method, under which compensation expense is recognized for bonus awards to employees over the term of the plan, based on the quoted market price of the underlying shares, on a variable basis such that the Corporation's obligation is fully recognized by the anniversary dates. With respect to the share option plan, no compensation expense is recognized when share options are issued. Any consideration paid on exercise of stock options is credited to share capital.

m. Per Share Calculations

In 2000, the Corporation adopted the provisions of revised CICA Handbook Section 3500. As such, basic net income and funds from real estate operations per share are computed by dividing net income and funds from real estate operations by the weighted average number of shares outstanding. Diluted per share amounts are computed after adjusting the denominator of the basic computations for the effects of all dilutive shares outstanding during the period. The dilutive effects of outstanding share purchase options and warrants are computed using the "treasury stock" method, whereby the proceeds received from the exercise of options and warrants are assumed to repurchase outstanding shares of the Corporation.

.2 Properties

The Corporation's properties are comprised of:

	2000	1999
Properties		
Held for the long term	$ 5,160.9	7,468.0
Held for disposition	1,136.6	–
	$ 6,297.5	7,468.0

Properties held for disposition include certain properties that are determined to no longer be core assets under the strategic plan of the Corporation, and as such the Corporation has decided to dispose of these properties in an orderly manner over a reasonable sales period.

a. Properties – Held for the Long Term

	2000	1999
Rental properties		
At cost	$ 5,030.6	7,044.0
Accumulated depreciation	(211.3)	(220.6)
	4,819.3	6,823.4
Properties under development	194.7	389.9
Properties held for development	146.9	254.7
	$ 5,160.9	7,468.0

During the year, the Corporation sold substantially all of its Canadian office portfolio, several non-core properties in the United States and certain properties in Europe for a net pre-tax gain of $1.0 million. This pre-tax gain was comprised of a gain of $17.9 million for the United States properties, a loss of $8.1 million for the Canadian office portfolio and a loss of $8.8 million for the European properties.

In 1999, the Corporation sold certain non-core retail assets and recorded a loss of $43.6 million.

In 1998, the Corporation sold substantially all of its U.S. retail operating center portfolio, recording a net gain on sale of $452.2 million.

b. Properties – Held for Disposition

	2000
Rental properties	$ 651.7
Properties under development	361.1
Properties held for development	123.8
	$ 1,136.6

These properties are carried at estimated net realizable value. Implicit in management's assessment of realizable values are estimates of future rental and other income levels for the properties and their estimated disposal dates. In certain cases, the net realizable values have been calculated taking into consideration estimated disposal dates extending out into 2004. This will allow the Corporation to complete developments and achieve stabilized income levels in order to optimize realized values. Due to the significant measurement uncertainty of determining net realizable value, actual proceeds to be realized on the ultimate sale of these properties could vary materially from the December 31, 2000 carrying value. During the current year, a provision for diminution in value of $130.8 million was recorded (Note 9).

c. In addition to development, construction and direct costs, the following carrying costs have been capitalized to properties under development during the period:

For the years ended December 31	2000	1999	1998
Revenue	$ (0.6)	(2.4)	–
Operating expenses	3.3	3.2	1.9
Interest expense (Note 5)	36.7	30.1	23.7
	$ 39.4	30.9	25.6

The Corporation's share of expenditures required to complete rental properties under development is estimated at approximately $415 million, for which construction financing facilities have been arranged.

In addition, included in properties under development is $121.3 million which represents a one-third share of the cost of technology centers being developed in the Global Switch joint venture (Note 10). The Corporation's share of expenditures required to complete these properties under development is estimated at approximately $125 million, for which $45 million of construction financing facilities have been arranged to date.

d. Future minimum rentals to be received under non-cancellable tenant leases in effect at December 31, 2000 are as follows:

Years ending December 31, 2001	$ 722.2
2002	654.7
2003	578.0
2004	506.4
2005	444.9
Thereafter	1,835.2
	$ 4,741.4

e. Properties carried at a net book value of approximately $1,145 million are situated on land held under leases or agreements expiring in the years 2017 to 2150. Minimum land rental payments for each of the next five years and thereafter are as follows:

Years ending December 31, 2001	$ 5.7
2002	5.9
2003	6.0
2004	6.1
2005	6.2
2006 to 2150	535.9
	$ 565.8

Additional rent is payable under certain leases based on rental revenue or net cash flow from properties situated on leased land.

f. In 2000, the Corporation granted $11.3 million of free rent tenant allowances in the U.S. office portfolio (1999 – $9.1 million, 1998 – $15.2 million). Included in 2000 U.S. office properties rental revenue is $11.6 million of imputed free rent (1999 – $11.6 million, 1998 – $7.2 million).

In 2000, U.S. office portfolio depreciation expense relating to tenant installation costs amounted to approximately $50.3 million (1999 – $36.3 million, 1998 – $17.6 million).

3 Investments

	2000	1999
Investment in Sears Tower	$ 70.0	70.0
Building telecommunication and service provider investments	23.2	15.0
Loan receivable from Unicorn (Note 10)	24.7	–
Investment in Dorset – at cost	23.8	–
Mortgages, notes receivable and other investments	24.9	36.2
Investment in Barrick – at cost	286.2	286.2
	$ 452.8	407.4

During the year, the Corporation recorded $20.2 million of losses from investments. These relate primarily to certain technology initiatives pursued by the Corporation during 2000. The losses include equity losses from significantly influenced investees together with estimated provisions for permanent impairment in value of $12.4 million and realized losses of $7.8 million.

a. Investment in Sears Tower

On December 3, 1997, the Corporation purchased a subordinated mortgage and an option to purchase the Sears Tower in Chicago (the "Investment in Sears Tower") for $70 million which gives TrizecHahn effective control over all aspects of the building including property management and leasing. The Corporation's mortgage is subordinate to an existing first

mortgage plus accrued interest (December 31, 2000 – approximately $777 million, December 31, 1999 – approximately $768 million), which is serviced only to the extent of available cash flow. The Corporation's subordinated mortgage, which matures in July 2010, has a principal plus accrued interest balance of approximately $346 million at December 31, 2000 (1999 – $328 million), and has participation rights on available cash flow. As excess cash flow is not currently available to service the subordinated mortgage, no interest income has been recognized for the periods ended December 31, 2000, 1999 and 1998. The option to purchase the building is exercisable between January 2003 and July 2005 at a price of approximately $950 million plus 40% of the amount by which the appraised value of the building exceeds $1,063 million.

b. Building Telecommunication and Service Provider Investments

Building telecommunication and service provider investments include securities received from Allied Riser Communications Corporation, Broadband Office Inc., Cypress Communications Inc., OnSite Access Inc. and Captivate Network Inc. These securities were received in return for access to the Corporation's U.S. office properties.

c. Investment in Dorset

The investment in Dorset is comprised of investments in private equity and venture capital funds managed by Dorset Partners Inc. The Corporation's investment is capped at a further $7 million.

d. Investment in Barrick and Sale of Unencumbered Shares

At December 31, 2000 the Corporation's remaining investment in Barrick Gold Corporation ("Barrick"), an international gold mining company, consisted of 30,299,558 common shares, all of which are pledged as collateral for the full satisfaction of the exchange obligation related to exchangeable debentures (Note 6). Dividends received from Barrick during the current year of $6.7 million (1999 – $6.1 million, 1998 – $5.5 million) have been netted against exchangeable debentures interest expense.

On February 3, 1998, the Corporation sold its 28,166,026 unencumbered shares of Barrick for gross proceeds of $512.6 million. The majority of the shares (24,896,026) were sold to the public by way of an underwritten secondary offering on an installment basis, with the balance (3,270,000) sold on a fully paid basis. For the installment sales, approximately 60% of the selling price ($272 million) was received on closing with the balance of $182.3 million received on February 3, 1999.

4 Other Assets and Liabilities

a. Other Assets

	2000	1999
Tenant and other receivables, net of allowance for doubtful accounts (2000 – $11.9, 1999 – $10.5)	$ 102.7	74.7
Construction deposits and receivables	32.5	13.9
Prepaid expenses	56.0	44.5
Deferred financing costs, net of accumulated amortization (2000 – $25.5, 1999 – $16.8)	40.7	51.6
Deposits, deferred charges and other	76.7	136.9
	$ 308.6	321.6

b. Accounts Payable and Accrued Liabilities

	2000	1999
Trade payables	$ 11.4	16.3
Construction and tenant installation payables	198.3	166.3
Accrued interest expense	34.4	32.9
Accrued operating expenses and property taxes	142.6	137.4
Security deposits and other accrued liabilities	153.1	130.1
Taxes payable	106.6	4.7
	$ 646.4	487.7

c. Net Change in Operating Working Capital

The net change in operating working capital includes the net change in tenant receivables, construction deposits and receivables, prepaid expenses, deferred charges and other assets, accounts payable and accrued liabilities that relate to operating activities:

For the years ended December 31	2000	1999	1998
Cash flow from (applied to)			
Tenant receivables	$ (18.2)	(13.1)	53.5
Construction deposits and receivables	(18.6)	(2.9)	(15.7)
Prepaid expenses	(12.8)	(15.0)	(3.4)
Deferred charges and other assets	6.5	3.2	1.2
Accounts payable and accrued liabilities	(13.6)	7.3	(26.3)
Net change in operating working capital	$ (56.7)	(20.5)	9.3

d. Consolidated Statements of Cash Flows – Supplemental Information

Significant non-cash financing and investing activities include the following:

For the years ended December 31	2000	1999	1998
Long-term debt assumed on property acquisitions	$ 17.5	15.9	317.0
Long-term debt assumed on developments	6.7	66.3	7.1
Long-term debt assumed on acquisitions of retail partnership interests	–	–	233.1
Long-term debt assumed by purchasers on property dispositions	(207.5)	(19.6)	(1,122.0)
Other non-cash financings	–	–	35.8
	$ (183.3)	62.6	(529.0)

Interest paid during 2000, 1999 and 1998 approximates interest expense, gross (Note 5). Cash taxes paid during 2000, 1999 and 1998 approximate current operating tax expense (Note 7).

5 Long-Term Debt

	Properties Held for the Long Term		Properties Held for Disposition		Total Debt			
	Weighted average interest rates as at December 31, 2000	2000	Weighted average interest rates as at December 31, 2000	2000	Weighted average interest rates as at December 31, 2000	2000	Weighted average interest rates as at December 31, 1999	1999
Collateralized property loans:								
At fixed rates	7.18%	$ 1,718.2	7.00%	$ 82.0	7.17%	$ 1,800.2	7.09%	$ 2,387.8
At variable rates (subject to interest rate caps)	9.09%	111.9	–	–	9.09%	111.9	8.66%	111.0
At variable rates	7.98%	798.8	7.07%	325.0	7.72%	1,123.8	7.26%	1,194.0
Other loans:								
At fixed rates	8.16%	374.6	–	–	8.16%	374.6	7.32%	569.8
At variable rates (subject to interest rate caps)	7.79%	200.1	–	–	7.79%	200.1	6.97%	207.4
At variable rates	–	–	–	–	–	–	7.16%	25.0
	7.60%	$ 3,203.6	7.06%	$ 407.0	7.53%	$ 3,610.6	7.20%	$ 4,495.0

In the table above, long-term debt has been presented on a basis consistent with the classification of the underlying collateralized properties, by properties held for the long term or held for disposition.

a. Collateralized Property Loans

As at December 31, 2000, the Corporation has fixed the interest rates on $10.5 million (1999 – $23.7 million) of the debt classified as fixed, in the above table, by way of interest rate swap contracts with a weighted average interest rate of 7.18%, and maturing between November 2001 and November 2002. The costs to unwind these interest rate swap contracts are nominal as at December 31, 2000 and 1999.

The Corporation has also entered into interest rate cap contracts expiring between March 2001 and November 2001 on $111.9 million of U.S. dollar variable rate debt which limits the underlying London Interbank Offered Rate ("LIBOR") to between 6.57% and 8.0% (7.12% on a weighted average basis). At December 31, 2000, the three month LIBOR rate was 6.4%.

b. Other Loans

Included in Other loans are the following:

- C$250 million, 6.00% unsecured debentures due September 3, 2002 (2000 – $166.8 million, 1999 – $172.8 million).
- C$125 million, 7.45% unsecured debentures due June 1, 2004 (2000 – $83.4 million, 1999 – $86.4 million).
- $167.5 million, 10.875% Senior Notes due October 15, 2005 (1999 – $167.5 million). The Senior Notes, which are unconditionally guaranteed by TrizecHahn Holdings Ltd., a wholly-owned subsidiary of the Corporation, are redeemable at the option of the Corporation on or after October 15, 2000.
- C$175 million, 7.95% unsecured debentures due June 1, 2007 (2000 – $116.7 million, 1999 – $121.0 million).

The Corporation has entered into interest rate swap contracts on $200.1 million (C$300 million) of debt included in Other loans, effectively converting the debt from fixed rate into variable rate debt maturing in June 2004 and June 2007. In addition the Corporation entered into interest rate cap contracts on this debt which limits the underlying Canadian Bankers' Acceptance Rate ("BA") to 6%. However, these contracts contain knockout clauses which leave the Corporation without interest rate protection should underlying BA rates exceed the knockout rate of 9%. As at December 31, 2000, the fair value of these contracts to the Corporation is estimated to be $4.1 million (1999 – $1.8 million). At December 31, 2000, the three month BA rate was 5.72%.

c. Principal Repayments

Principal repayments of debt are due as follows:

	Properties Held for the Long Term			Properties Held for Disposition			Total Debt		
	U.S. dollar denominated debt	Other currencies denominated debt	Total debt	U.S. dollar denominated debt	Other currencies denominated debt	Total debt	U.S. dollar denominated debt	Other currencies denominated debt	Total debt
Years ending December 31, 2001	$ 839.9	23.6	863.5	4.6	18.8	23.4	844.5	42.4	886.9
2002	169.7	167.3	337.0	6.4	32.9	39.3	176.1	200.2	376.3
2003	275.7	0.5	276.2	127.1	31.7	158.8	402.8	32.2	435.0
2004	652.2	99.4	751.6	2.3	15.2	17.5	654.5	114.6	769.1
2005	354.6	–	354.6	2.5	16.4	18.9	357.1	16.4	373.5
Subsequent to 2005	504.0	116.7	620.7	23.2	125.9	149.1	527.2	242.6	769.8
	$ 2,796.1	407.5	3,203.6	166.1	240.9	407.0	2,962.2	648.4	3,610.6

Included in other currencies denominated debt is $423.1 million denominated in Canadian dollars and $225.3 million denominated in European-based currencies.

The various debt arrangements of the Corporation contain certain restrictive covenants including limitations on additional indebtedness, or distributions of dividends in respect of capital stock and are subject to the maintenance of certain financial ratios.

The estimated fair value of the Corporation's long-term debt approximates its carrying value as at December 31, 2000 and 1999.

d. Interest Charges

Interest charges consist of:

For the years ended December 31	2000	1999	1998
Interest cost, gross	$ (331.0)	(317.8)	(280.9)
Interest capitalized to properties under development	36.7	30.1	23.7
Interest expense	(294.3)	(287.7)	(257.2)
Interest income	23.0	15.7	26.4
Interest expense, net	$ (271.3)	(272.0)	(230.8)

e. Line of Credit

At December 31, 2000, credit facilities of $522.7 million were undrawn and available. Of this, a facility in the amount of $500 million is available for use until February 9, 2001, after which the drawn amount under the facility can be converted to a term loan due May 9, 2001. Subsequent to year-end, the terms of the facility were amended to reduce the facility to $300 million, and to extend the revolving feature and the maturity date to August 10, 2001. The facility has two six-month extensions to August 10, 2002 as a non-revolving term facility.

6 Exchangeable Debentures

	2000	1999
Carrying amount:		
$409 million, due 2024	$ 351.0	379.1
$275 million, due 2021	145.3	156.9
	496.3	536.0
Deferred amount	394.6	354.9
	$ 890.9	890.9

The following exchangeable debentures are subject to exchange and redemption rights, but otherwise are required to be repaid in full at maturity. The Corporation's obligation related to any exchange or redemption of the following exchangeable debentures prior to or at maturity can be satisfied through delivery of the cash equivalent of the current market value of Barrick shares at the time of redemption or exchange, the Barrick shares, or any combination thereof. The exchangeable debentures are direct unsubordinated obligations of the Corporation.

The carrying amount of the exchangeable debentures is based on the market price, on the balance sheet date, of the underlying Barrick shares that could be exchanged to extinguish the debenture liability, and approximates their fair market value.

a. $409 Million Exchangeable Debentures

In March 1999, the Corporation issued two series of exchangeable debentures aggregating $409 million due March 12, 2024. The net proceeds from the issue amounting to $404.8 million were used to redeem for cash previously issued $600 million exchangeable debentures which were due 2018. Interest is payable semi-annually at a rate calculated by reference to the dividend rate on the underlying Barrick shares plus 1.35%. Each $1,000 principal amount of debentures is exchangeable by the holder for 52.4162 Barrick shares or, at the option of the Corporation, payment of the cash equivalent of the current market value of such Barrick shares with accrued interest payable in cash. Subject to certain exceptions, a holder exchanging these debentures prior to March 12, 2023 will be required to pay an early exchange premium of $13.50 per $1,000 principal amount.

The debentures are redeemable at any time by the Corporation prior to maturity at a price equal to the principal amount plus accrued interest. Subject to certain exceptions, if the Corporation redeems the debentures prior to March 12, 2023, it will be required to pay a holder an early redemption premium of $13.50 per $1,000 principal amount.

As of December 31, 2000, the Corporation has placed with a trustee 21,428,580 Barrick shares as collateral for its exchange obligation. This represents the maximum number of Barrick shares that are required to be pledged as collateral under this issue.

b. $275 Million Exchangeable Debentures

In January 1996, the Corporation issued $275 million of 3% Debentures due January 29, 2021. The net proceeds from the issue amounted to $264 million. Interest is payable semi-annually. Each $1,000 principal amount of 3% Debentures is exchangeable at the option of the holder for 32.2581 common shares of Barrick, without payment of accrued interest. The 3% Debentures are redeemable at the option of the Corporation on or after January 29, 2006 at a price equal to the principal amount plus accrued interest. Upon notice of redemption by the Corporation or within 30 days prior to maturity, the holder has the option to exchange each $1,000 principal amount for 32.2581 Barrick common shares, plus accrued interest payable in cash. As of December 31, 2000, the Corporation has placed with a trustee 8,870,978 Barrick shares as collateral for its exchange obligation. This represents the maximum number of Barrick shares that are required to be pledged as collateral under this issue.

c. $600 Million Exchangeable Debentures

In December 1993, the Corporation issued $600 million of 3¼% Debentures due December 10, 2018 with interest payable semi-annually. Each $1,000 principal amount of 3¼% Debentures was exchangeable at the option of the holder for 32.4675 common shares of Barrick, without payment of accrued interest. The 3¼% Debentures were redeemable at the option of the Corporation on or after December 10, 1998, at a price equal to the principal amount plus accrued interest. Upon notice of redemption by the Corporation or within 30 days prior to maturity, the holder had the option to exchange each $1,000 principal amount for between 32.4675 and 35.7143 Barrick common shares (depending upon the current market value of Barrick shares at such time), plus accrued interest payable in cash.

In March 1999, the Corporation redeemed for cash the $600 million 3¼% debentures at a price of $654.86 for every $1,000 principal amount, plus accrued interest for a total redemption price of $392.9 million. The deferred gain on redemption, which amounted to $207 million, is recorded as a deferred amount until such time as there is a realization on the disposition of the Barrick shares.

As a consequence of this early retirement, the Corporation charged to income the remaining unamortized deferred financing costs amounting to $20 million.

7 Income and Other Corporate Taxes

a. Change in Accounting Policy

In the first quarter of 2000, the Corporation adopted the provisions of the CICA Handbook Section 3465, "Income Taxes" (the "standard"). The standard requires the use of the liability method of accounting for future income taxes (formerly deferred income taxes) based on differences between the carrying amounts of assets and liabilities for tax and accounting purposes. Among other things, the standard requires: the possible earlier recognition of future tax assets relating to tax-loss carry-forwards based upon a "more likely than not" test; and that acquisitions be accounted for gross of the underlying tax effects of having non-deductible tax basis in the assets as temporary differences, with an off-setting credit to future income taxes. In accordance with the requirements of the standard, and Emerging Issues Committee Abstract 108, the Corporation has chosen not to restate prior period financial statements, including the carrying amounts of assets acquired whose tax bases, at acquisition date, differed from the assigned values for accounting purposes. Implementation of the standard had the effect, as of January 1, 2000, of increasing the cost of properties by $15.0 million; increasing future income tax liabilities on the balance sheet by $140.3 million; and reducing retained earnings by $125.3 million.

Income tax disclosure information for fiscal 1999 and 1998 is provided below in Note 7f. This note disclosure was prepared under the previous standard using the deferral method of accounting for income taxes.

b. The provision for income and other corporate taxes for fiscal 2000 is as follows:

For the year ended December 31	2000
Recovery (Expense)	
Income taxes	
Current	
– operations	$ (7.2)
– REIT election (Note 7e)	(91.6)
– Canadian property sales	(9.3)
Future	
– operations	(51.1)
– provisions	56.5
– REIT election (Note 7e)	368.2
Other corporate tax – current operations	(11.3)
	$ 254.2

c. The provision for taxes on income differs from the provision computed at statutory rates as follows:

For the year ended December 31	2000
Income tax expense computed at Canadian combined federal and provincial statutory rates	$ (17.2)
Foreign operations taxed at lower rates	13.7
Expense of previously recognized tax assets	(18.6)
Foreign withholding tax credit	2.3
Impact of REIT election	276.6
Non-deductible portion of capital gains and losses	(0.8)
Changes in capital gains and income tax rates	5.4
Tax on large corporations	(1.9)
State and other capital taxes	(9.4)
Other	4.1
Total tax recovery	$ 254.2

d. Components of future income tax assets and liabilities of the Corporation at December 31, 2000 are as follows:

	2000
Canada and other	
Operating and capital losses	$ (58.1)
Investments, properties and related assets	89.2
Unremitted earnings of REIT subsidiary (Note 7e)	41.5
	72.6
United States	
Operating losses	(20.9)
Properties and related assets	82.4
	61.5
	$ 134.1

e. REIT Election

In December 2000, the Corporation's indirect wholly-owned U.S. office properties subsidiary TrizecHahn (USA) Corporation ("THUSA") determined that it would elect to be taxed as a real estate investment trust ("REIT") pursuant to the Internal Revenue Code section 856, as amended. The REIT election will be effective as of January 1, 2001. In general, a corporation that distributes at least 90% of its REIT taxable income to its shareholders in any taxable year, and complies with certain other requirements (relating primarily to its organization, the nature of its assets and the sources of its revenues) is not subject to United States federal income taxation to the extent of the income which it distributes. The Corporation believes that THUSA substantially met the qualifications for REIT status as of December 31, 2000 and intends for it to satisfy all such qualifications in the future.

THUSA's conversion to REIT status had the following impact on taxes for the current year:

For the year ended December 31	2000
Recovery (Expense)	
i. Elimination of THUSA net future tax liability at December 31, 2000	$ 409.7
ii. Establish future tax liability in respect of undistributed earnings of THUSA	(41.5)
Net future tax recovery	368.2
iii. Current taxes payable arising from REIT election	(91.6)
Net tax recovery	$ 276.6

i. The Corporation believes that THUSA will not be liable for income taxes at the federal level in the United States, or in most of the states in which it operates, in future years. Accordingly, THUSA eliminated all of its existing future tax assets and liabilities by crediting the income statement with an amount totalling $409.7 million at December 31, 2000. This amount included a 2000 future tax expense of $56.1 million related to U.S. office operations. The Corporation does not expect to provide for future income taxes in subsequent periods in the United States related to THUSA's office properties operations.

ii. On conversion of THUSA to a REIT, a future income tax liability has been recognized in these consolidated financial statements to the extent that the Corporation's carrying value of its investment in THUSA, incorporating undistributed earnings of THUSA, exceeds its tax basis in THUSA. It is anticipated that this difference will reverse in the foreseeable future as THUSA will be required to distribute annually at least 90% of its REIT taxable income in order to retain REIT status. This liability has been recorded using an aggregate 10% tax rate which is applicable to such distributions. This resulted in the recognition of a liability of $41.5 million at December 31, 2000. The Corporation currently expects to provide taxes based on 10% of THUSA's net income, which is in respect of annual REIT distributions.

iii. The election of REIT status resulted in the deemed liquidation of all subsidiaries owned by THUSA. The gain arising from this deemed liquidation resulted in net taxes payable of $59.3 million.

In order to qualify for REIT status, THUSA is required to distribute its "Earnings and Profits" from non-REIT years, based on accumulated taxable income to December 31, 2000. This distribution results in the recognition of withholding taxes in the amount of $32.3 million.

iv. In connection with its election to be taxed as a REIT, THUSA will also elect to be subject to the "built-in gain" rules. Under these rules, taxes may be payable at the time and to the extent that the net unrealized gains on THUSA's assets at the date of conversion to REIT status are recognized in taxable dispositions of such assets in the ten-year period following conversion. Such net unrealized gains were estimated to be approximately $2 billion at January 1, 2001. Management currently believes that THUSA will not incur such taxes on built-in gains during the ten-year period as substantially all of its assets are not held for disposition and due to the potential for THUSA to make non-taxable asset dispositions, such as like-kind exchanges. At December 31, 2000, THUSA has disposed of certain assets and has identified assets for future disposition but no material future tax liability is anticipated.

f. Prior Year's Information

As explained in 7a, the following information was prepared under the previous standard using the deferral method of accounting for income taxes.

i. The provision for income and other corporate taxes is as follows:

For the years ended December 31	1999	1998
Income taxes		
Current	$ (5.0)	(0.6)
Deferred – operations	(62.2)	(53.8)
– loss (gain) on sale of properties, net	16.3	(182.9)
– gain on sale of Barrick shares	–	(50.8)
Incremental withholding taxes – reorganization	(7.6)	–
Other corporate tax – current	(6.7)	(6.3)
Total tax expense	$ (65.2)	(294.4)

ii. The provision for income taxes differs from the provision computed at statutory rates as follows:

For the years ended December 31	1999	1998
Income tax expense computed at Canadian combined federal and provincial statutory rates	$ (71.1)	(367.7)
Foreign operations taxed at lower rates	7.2	39.3
Losses not tax effected	(34.9)	(13.9)
Utilization of tax-loss carry-forwards	44.8	66.5
Foreign withholding taxes	(7.6)	–
Tax on large corporations	(3.2)	(2.9)
State and other capital taxes	(3.5)	(3.4)
Permanent differences on sale of investment	–	(13.7)
Other	3.1	1.4
Total tax expense	$ (65.2)	(294.4)

8. Shareholders' Equity

	2000	1999
Share capital	$ 1,201.8	1,286.4
Foreign currency translation adjustment	(71.4)	(98.3)
Retained earnings	994.6	1,037.0
	$ 2,125.0	2,225.1

a. Share Capital

At December 31, 2000, the authorized share capital of the Corporation consisted of:

- an unlimited number of preferred shares, issuable in one or more series;
- an unlimited number of subordinate voting shares without par value, carrying one vote per share; and
- 7,522,283 multiple voting shares without par value, carrying 50 votes per share. Pursuant to a trust agreement, the holder of all of the multiple voting shares has agreed not to vote more than that number of multiple voting shares carrying votes in the aggregate that represent a simple majority of all votes entitled to be cast on a matter by all holders of voting securities of TrizecHahn in the aggregate.

b. Issued and Outstanding Share Capital

The number of shares and warrants issued and outstanding (in millions) was as follows:

	Voting Shares				
	Subordinate	Multiple	Total	Warrants	Amount
December 31, 1997	145.3	7.5	152.8	14.0	$ 1,164.1
Issued (cancelled) during 1998					
– on exercise of stock options	0.6	–	0.6	–	8.1
– shares purchased for cancellation	(0.7)	–	(0.7)	–	(5.6)
December 31, 1998	145.2	7.5	152.7	14.0	1,166.6
Issued (cancelled) during 1999					
– on exercise of stock options	0.3	–	0.3	–	3.6
– shares purchased for cancellation	(2.2)	–	(2.2)	–	(16.5)
– on exercise of warrants	8.0	–	8.0	(14.0)	132.7
December 31, 1999	151.3	7.5	158.8	–	1,286.4
Issued (cancelled) during 2000					
– on exercise of stock options	0.1	–	0.1	–	1.6
– shares purchased for cancellation	(10.7)	–	(10.7)	–	(86.2)
December 31, 2000	140.7	7.5	148.2	–	$ 1,201.8

In September 1998, the Corporation commenced the acquisition, on the New York Stock Exchange, of subordinate voting shares for cancellation. In May 2000, the Corporation commenced a normal course issuer bid pursuant to the rules of the Toronto Stock Exchange. During the year ended December 31, 2000, 10.7 million (1999 – 2.2 million; 1998 – 0.7 million) subordinate voting shares were purchased for cancellation at an average cost of $15.97 per share or $171.5 million (1999 – $18.75 per share or $40.6 million; 1998 – $18.93 per share or $14.1 million). The excess of the purchase cost over the average paid-in amount for 2000 was $7.94 per share or $85.3 million (1999 – $11.14 per share or $24.1 million; 1998 $11.43 per share or $8.5 million) and was charged to retained earnings.

At December 31, 1998, 13,976,997 warrants were outstanding. During 1999, 13,771,042 of these warrants were exercised at a price of C$14.14 each, resulting in the issuance of 7,987,213 subordinate voting shares of the Corporation for a total cash consideration of approximately $132.7 million. The balance of the warrants expired without being exercised.

c. Dividends and Dividend Restrictions

In 2000, the Corporation declared and paid dividends in United States dollars of $0.35 per share (1999 – $0.35 per share, 1998 – $0.30 per share). The various debt arrangements of TrizecHahn Holdings Ltd., a direct wholly-owned subsidiary of the Corporation, contain certain covenants including limitations on payment of dividends.

d. Foreign Currency Translation Adjustment

For the years ended December 31	2000	1999	1998
Beginning of year			
Canada	$ (55.6)	(77.3)	(29.0)
Europe	(33.5)	(0.5)	(8.7)
Barrick investment	(9.2)	(9.2)	(17.7)
	$ (98.3)	(87.0)	(55.4)
Changes during the year			
Changes in exchange rates on investments			
Canada	$ (7.5)	20.7	(47.0)
Europe	(36.8)	(32.2)	7.8
	(44.3)	(11.5)	(39.2)
Exchange rate changes on current period transactions			
Canada	(0.1)	1.0	(1.3)
Europe	(0.1)	(0.8)	0.4
	(0.2)	0.2	(0.9)
Recognized as expense during the year			
Canada	63.2	–	–
Europe	8.2	–	–
Barrick investment	–	–	8.5
	71.4	–	8.5
Total changes during the year	$ 26.9	(11.3)	(31.6)
End of year			
Canada	$ –	(55.6)	(77.3)
Europe	(62.2)	(33.5)	(0.5)
Barrick investment	(9.2)	(9.2)	(9.2)
	$ (71.4)	(98.3)	(87.0)

By the end of 2000, the Corporation had reduced its net investment in its self-sustaining foreign currency operations in Canada as a result of the sale and substantial liquidation of a majority of the Corporation's Canadian office properties and the resulting reduction in capital invested in Canada. The full dollar amount of the historic foreign currency translation loss of $63.2 million accumulated in the "foreign currency translation adjustment" account related to Canadian operations was recognized as an expense. In addition, the sale of certain European property operations and the resulting repatriation of invested capital resulted in the recognition of a portion of the historic European foreign currency translation loss of $8.2 million as an expense.

The amount related to the Barrick investment will be recognized as an expense, proportionately, when there is a reduction in the Corporation's net investment in Barrick.

9 Provision For Diminution in Value and Reorganization Costs

For the years ended December 31	2000	1999	1998
Provision for diminution in value			
European retail/entertainment properties	$ (115.7)	–	–
Office properties – Canada	(12.2)	–	–
– U.S.	(2.9)	–	–
	(130.8)	–	–
Reorganization costs	(27.8)	(6.4)	–
	$ (158.6)	(6.4)	–

As a consequence of the decision to dispose of its European retail/entertainment operations, the Corporation recorded a provision in the amount of $115.7 million, related to estimated losses for the abandonment of pre-development projects and the near-term disposition of properties. This provision represents the difference between the Corporation's capital cost of its properties, including acquisition costs and capitalized costs during the holding period, and net realizable value. Of this provision, approximately $73 million of these losses relate to the Corporation's German operations, where anticipated realizable values have been impacted by adverse market conditions in Dresden and by the notification, in January 2001, of a partner's intention to unilaterally terminate the joint venture for the development of the Westend Plaza project in Frankfurt. The Corporation is contesting the ability of its partner to terminate the joint venture. In addition, approximately $14 million relates to the Czech Republic, and approximately $17 million relates to development projects abandoned earlier in the year. No provisions were considered necessary for the Corporation's investments in Hungary and Slovakia.

The provision recorded for the office operations relates primarily to the planned sale of the balance of the remaining Canadian office properties and four non-core U.S. office properties.

As a result of the decision in 2000 to reorganize its European retail/entertainment operations, the Corporation has recorded a $24.0 million charge related to European downsizing and employee termination costs. In addition, the Corporation incurred incremental professional advisory fees in the current and prior year in order to explore certain strategic transactions and to optimize its corporate structure for tax purposes.

10 Global Switch Investment

On March 31, 2000, the Corporation and Chelsfield Plc ("Chelsfield"), a third party, purchased on a 50:50 basis, through a jointly-owned corporation, a two-thirds interest in Global Switch S.a.r.l., a Luxembourg company, which acquired on the same date a 100% interest in Global Switch International Limited ("Global Switch"), a management-owned company, operating as a European-based technology center business. The cost of the Corporation's original one-third interest was approximately $74.2 million. This was allocated by the Corporation as follows: $100 million to properties, $18.6 million to long-term debt and $7.2 million to future income taxes. The other one-third interest in Global Switch is held by Unicorn Assets Limited ("Unicorn"), which is beneficially owned by the founder and management of Global Switch. Global Switch is currently structured as a joint venture through shareholders' agreements between the Corporation, Chelsfield and Unicorn.

As at December 31, 2000, the Corporation has loans receivable from Unicorn in the amount of $24.7 million, which were used by Unicorn to fund certain portions of its investment in the Global Switch joint venture. The loans bear interest at LIBOR plus 2%, and are payable at the earlier of 2005, or upon certain triggering events such as an initial public offering or sale of Global Switch. The loans are secured by Unicorn's interest in Global Switch. The Corporation may be required to make further loans to Unicorn to enable Unicorn to fund a portion of future equity subscriptions, or shareholder's loans. Required loans would be based on 30% of the Corporation's prorata equity contribution, or shareholder loan. The maximum loans committed to by the Corporation, including amounts advanced to date, is £30 million, or $45 million. Chelsfield also has identical loans and commitments to Unicorn.

In respect of Global Switch, Unicorn has the right to require the Corporation, together with Chelsfield, to purchase, during specified periods on an annual anniversary date, all or any part of the one-third interest held by Unicorn (the "put option"). The Corporation and Chelsfield have an agreement to share the put option obligation equally. The put option can be exercised by Unicorn in increments of 5% of its one-third interest, and expires after the third anniversary date if not exercised. The exercise price is either the price specified in the put option notice, or if that price is disputed, the average of the fair market value prices determined by two independent investment banks, one appointed by Unicorn, and one appointed by the Corporation and Chelsfield. To date, the put option has not been exercised.

At December 31, 2000, the Corporation has guaranteed $29.1 million of outstanding property-level debt held by Global Switch.

The Corporation accounts for Global Switch using the proportionate consolidation method, and as such, the prorata results of operations, cash flows and balance sheet of Global Switch included in the Corporation's consolidated statements are summarized in Note 12, Segmented Information.

11 Real Estate Joint Ventures

In its real estate operations, the Corporation participates in incorporated and unincorporated joint ventures and partnerships with other venturers in various properties which are accounted for using the proportionate consolidation method. The consolidated financial statements include the Corporation's proportionate share of assets, liabilities, revenue, expenses and cash flow.

a. The following amounts represent the total assets and liabilities of joint ventures in which the Corporation participates and its proportionate share of the assets and liabilities.

	Total		Proportionate Share	
	2000	1999	2000	1999
Assets	$ 2,389.2	2,156.6	1,262.5	1,093.1
Liabilities	1,390.9	1,108.9	717.1	543.4

b. The following summary presents the Corporation's proportionate share of revenue, expenses and cash flows of joint ventures in which the Corporation participates.

For the years ended December 31	2000	1999	1998
Revenue	$ 136.3	112.1	172.6
Expenses	(103.8)	(83.4)	(132.0)
Cash flow from (applied to):			
Operating activities	14.8	39.1	45.6
Financing activities	153.9	99.2	37.0
Investing activities	(206.2)	(145.0)	(110.1)

c. The Corporation is contingently liable for obligations of its partners in such joint ventures. In each case, all of the assets of the joint venture are available for the purpose of satisfying such obligations. At December 31, 2000, the Corporation has guaranteed or is otherwise liable for approximately $77 million (December 31, 1999 – $43 million) of its partners' share of recourse property debt.

12 Segmented Information

a. The Corporation is a fully integrated real estate operating and development company currently focused in the United States and Europe. Its activities include the acquisition, development and operation of rental properties, consisting of office properties and retail/entertainment properties.

Separate management groups head the combined United States and Canada office segment, the U.S. retail/entertainment development segment and the European operations. The accounting policies of the segments are the same as those described for the Corporation in Note 1 – Significant Accounting Policies. The Corporation evaluates operating performance based primarily on rental income. All key financing, investing and capital allocation decisions, including tax planning, are corporately managed. The following presents information by reportable segment for the years ended December 31, 2000, 1999 and 1998.

	U.S. Office			Canada Office			Europe and U.S. Retail			Global Switch			Total		
For the years ended December 31	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Rental operations															
Rental revenue	$ 948.9	872.7	533.8	171.6	290.4	257.2	52.0	25.7	172.5	4.1	–	–	1,176.6	1,188.8	963.5
Operating costs	(406.4)	(381.8)	(234.0)	(82.9)	(142.8)	(124.4)	(26.7)	(11.5)	(62.7)	(4.9)	–	–	(520.9)	(536.1)	(421.1)
Rental income	$ 542.5	490.9	299.8	88.7	147.6	132.8	25.3	14.2	109.8	(0.8)	–	–	655.7	652.7	542.4
General and administrative expense													(39.8)	(38.2)	(35.4)
Interest expense, net													(271.3)	(272.0)	(230.8)
Real estate operating income													344.6	342.5	276.2
Current operating taxes													(18.5)	(11.7)	(6.9)
Funds from real estate operations													$ 326.1	330.8	269.3
Gain (loss) on sale of properties, net	$ 17.9	–	–	(8.1)	–	–	(8.8)	(43.6)	452.2	–	–	–	1.0	(43.6)	452.2
Provision for diminution in value and reorganization costs	$ (6.7)	(6.4)	–	(12.2)	–	–	(139.7)	–	–	–	–	–	(158.6)	(6.4)	–

A reconciliation of Real Estate Operating Income to Net Income is not considered necessary as all other line items on the face of the income statement are not allocated by the Corporation to defined segments.

	United States				International		Europe		Canada			
	Office		Retail		Global Switch		Retail and Mixed-use		Office and Corporate		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Assets												
Properties												
Held for long term	$ 4,945.6	5,199.3	–	284.3	185.7	–	–	554.4	29.6	1,430.0	5,160.9	7,468.0
Held for disposition	109.7	–	504.8	–	–	–	386.1	–	136.0	–	1,136.6	–
Investments and other assets	239.4	217.2	42.3	25.5	43.2	–	30.9	29.4	405.6	456.9	761.4	729.0
	$ 5,294.7	5,416.5	547.1	309.8	228.9	–	417.0	583.8	571.2	1,886.9	7,058.9	8,197.0
Cash and short-term investments											348.1	263.3
Total assets											$ 7,407.0	8,460.3
Long-term debt	$ 2,626.0	2,823.0	133.4	90.0	40.1	–	218.0	222.1	593.1	1,359.9	3,610.6	4,495.0

For the years ended December 31	2000	1999	1998
Net property investing activities			
United States			
Office	$ (52.4)	828.9	2,129.9
Retail	221.2	117.9	(1,050.6)
Global Switch	99.9	–	–
Europe			
Retail and mixed-use	(20.1)	191.2	116.1
Canada			
Office and corporate	(1,127.8)	85.4	506.3
	$ (879.2)	1,223.4	1,701.7

b. The following supplementary information presents the financial position of the Corporation as at December 31, 2000 segmented as to held for the long term, held for disposition and Global Switch.

As at December 31, 2000	Held for the Long Term	Held for Disposition	Sub-Total	Global Switch	Consolidated
Assets					
Properties	$ 4,975.2	1,136.6	6,111.8	185.7	**6,297.5**
Cash and short-term investments	284.4	46.2	330.6	17.5	**348.1**
Investments and other assets	595.2	123.0	718.2	43.2	**761.4**
	$ 5,854.8	1,305.8	7,160.6	246.4	**7,407.0**
Liabilities					
Long-term debt	$ 3,163.5	407.0	3,570.5	40.1	**3,610.6**
Exchangeable debentures	890.9	–	890.9	–	**890.9**
Accounts payable and accrued liabilities	393.2	232.9	626.1	20.3	**646.4**
	$ 4,447.6	639.9	5,087.5	60.4	**5,147.9**
Future income taxes					**134.1**
Shareholders' equity					**2,125.0**
					$ 7,407.0

13 Contingencies

a. On August 4, 1998, a third-party general contractor served a notice of arbitration to a wholly-owned subsidiary of the Corporation in connection with the development of Number One Poultry in London, England. The Corporation's ownership interest in Number One Poultry was acquired in 1997 from Advanta Management AG, a third party. The dispute with the third-party general contractor relates to a £32.4 million ($48.4 million) fixed-price construction contract for Number One Poultry. In its claim for approximately £26.0 million ($39.9 million) plus interest in addition to the fixed-price amount, the third-party general contractor lists disputes relating to cost overruns, changes in scope of the contract, various change orders and other matters (the "Number One Poultry Claim"). The Corporation will dispute these matters and expects to counter claim for liquidated damages due to the delayed construction completion date. At this stage in the arbitration process, the ultimate outcome is not determinable. In December 2000, the Corporation sold its interest in Number One Poultry to a third party, but retained responsibility for the outcome of the arbitration.

b. The Corporation is contingently liable under guarantees that are issued in the normal course of business, and with respect to other litigation and claims that arise from time to time. While the final outcome with respect to claims and litigation pending at December 31, 2000, including the Number One Poultry Claim, cannot be predicted with certainty, in the opinion of management, any liability which may arise from such contingencies would not have a material adverse effect on the consolidated financial position or results of operations of the Corporation.

14 Per Share Amounts

a. The following tables set forth the computation of basic and diluted net income and funds from real estate operations per share.

For the years ended December 31	2000	1999	1998
Numerator:			
Net income and income available to shareholders	$ 222.3	94.0	529.5
Funds from real estate operations available to shareholders	$ 326.1	330.8	269.3
Denominator (in millions):			
Weighted average shares outstanding	154.2	155.3	153.0
Add: Impact of dilutive potential shares resulting from:			
Share purchase options	1.0	1.7	2.4
Share purchase warrants	–	0.7	1.9
Dilutive shares	1.0	2.4	4.3
Denominator for diluted per share amounts	155.2	157.7	157.3
Net income per share			
Basic	$ 1.44	0.61	3.46
Diluted	$ 1.43	0.60	3.37
Funds from real estate operations per share			
Basic	$ 2.11	2.13	1.76
Diluted	$ 2.10	2.10	1.71

The following securities were not included in both the net income and funds from real estate operations per share computations as they would have an anti-dilutive effect.

		Number of Options (in millions) For the years ended December 31		
Anti-dilutive Securities	Weighted Average Exercise Price	2000	1999	1998
Share purchase options	C$29.08	9.8	–	–
Share purchase options	C$31.43	–	9.2	–
Share purchase options	C$34.21	–	–	3.9

b. **Change in Accounting Policy**

In 2000, the Corporation adopted the provisions of revised CICA Handbook Section 3500, "Earnings per Share" (the "revised standard"). Among other recommendations, under the revised standard, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of warrants, options and equivalents. The revised standard is now substantially similar to the U.S. GAAP standard.

As required by the transitional provisions in adopting the new standard, the following table sets out the net income per share and funds from real estate operations per share information, for the years indicated, as if the previous standard was in effect.

For the years ended December 31	2000	1999	1998
Net Income			
Net income per share			
Basic	**$ 1.44**	0.61	3.46
Fully diluted	**$ 1.37**	0.59	3.11
Number of shares used in the calculations (in millions)			
Basic	**154.2**	155.3	153.0
Fully diluted	**167.3**	170.4	173.7
Funds from real estate operations			
Funds from real estate operations per share			
Basic	**$ 2.11**	2.13	1.76
Fully diluted	**$ 2.02**	2.00	1.65
Number of shares used in the calculations (in millions)			
Basic	**154.2**	155.3	153.0
Fully diluted	**167.3**	173.1	173.7

Interest on the funds which would have been received had the share purchase options and warrants been exercised has been imputed at a rate of 5.5% per annum (1999 and 1998 – 5.0%).

15 Share-Based Compensation Arrangements

Compensation expense recognized in respect of TrizecHahn's share-based compensation arrangements totaled $1.5 million (1999 – $ nil; 1998 – $ nil).

a. Escrowed Share Grants

On November 9, 2000, the Corporation made grants of escrowed shares to certain U.S. employees under which an escrow agent purchased 904,350 of the Corporation's subordinate voting shares in the open market, and deposited them in escrowed accounts. The employee is entitled to the voting rights and dividends paid on the shares during the period. One-third of the share grants vest and are released to the employees on each of the anniversary dates of the grant over a three-year period. Under certain employment termination conditions, the employee's entitlement to the shares is forfeited, while fully-accelerated vesting occurs if an employee is terminated without cause. The cost of acquiring the shares of $12.4 million is amortized to income, on a straight-line basis, over the vesting period of the plan.

b. Stock-Linked Bonus Plan

On November 9, 2000, the Corporation created a stock-linked bonus plan for certain non-U.S. employees providing for annual bonuses based upon a notional number of the Corporation's shares specified on the commencement of the plan. The notional number of shares in respect of each year of the three-year plan is 317,100. Continuing employees are entitled to receive a cash bonus on each anniversary date of the plan based on the notional number of shares multiplied by the

ten-day average of the current market price of the Corporation's shares, the calculation and payment date for which may be deferred to a limited extent in accordance with the plan. Employees whose employment is terminated by the Corporation without cause and in other limited circumstances are entitled to termination amounts based on future years bonus entitlements under the plan. Employees whose employment terminates in other cases cease to have any entitlement under the plan. The Corporation accrues compensation expense on the stock-linked bonus plan over the term of the plan as a function of the quoted market price of the Corporation's shares, on a variable basis, such that the Corporation's obligation under the plan is fully recognized by the anniversary dates.

c. Share Purchase Options

The Corporation has a stock option plan in which options may be granted to directors, officers and key employees to purchase up to 17,177,306 subordinate voting shares of the Corporation at prices, in Canadian dollars, which are not below the market price of the shares at the time of the granting of the options. There are stock options outstanding, expiring at various dates to December 2007, with a weighted average number of years remaining at December 31, 2000 of 4.5 years. Options are granted from time to time and vest over three to four-year periods. Changes in the granted and outstanding share options were as follows:

(millions of options)	2000	1999	1998
Outstanding at beginning of year	15.2	13.9	12.8
Granted at a weighted average price of C$22.92 per share (1999 – C$26.87, 1998 – C$31.43)	4.4	2.8	2.0
Cancelled at a weighted average price of C$31.75 per share (1999 – C$30.85, 1998 – C$32.28)	(2.6)	(1.2)	(0.3)
Exercised at a weighted average price of C$17.26 per share (1999 – C$21.12, 1998 – C$18.05)	(0.1)	(0.3)	(0.6)
Outstanding at end of year – weighted average price of C$25.04 (1999 – C$26.74, 1998 – C$26.98)	16.9	15.2	13.9
Outstanding at end of year consists of:			
Price range C$15.00 – C$23.75; weighted average C$20.02 (1999 – C$16.96, 1998 – C$17.01); weighted average remaining life of 4.7 years at December 31, 2000	8.2	4.0	4.3
Price range C$24.40 – C$35.80, weighted average C$29.75 (1999 – C$30.26, 1998 – C$31.43); weighted average remaining life of 4.2 years at December 31, 2000	8.7	11.2	9.6
	16.9	15.2	13.9
Exercisable at end of year consists of:			
Price range C$15.00 – C$23.75; weighted average C$16.95 (1999 – C$16.95, 1998 – C$16.95)	3.9	4.0	4.1
Price range C$24.40 – C$35.80; weighted average C$30.42 (1999 – C$31.01, 1998 – C$30.68)	5.6	4.4	2.7
	9.5	8.4	6.8

16 Differences from United States Accounting Principles

Canadian GAAP varies in certain significant respects from the principles and practices generally accepted in the United States as described below. The approximate effect of these principal differences on the Corporation's balance sheets and statements of income are quantified below and described in the accompanying notes. There are no differences which affect the statements of cash flows.

i. Incremental Impact on Net Income

For the years ended December 31	Note	2000	1999	1998
Net income as reported		$ 222.3	94.0	529.5
Building depreciation	a	(78.6)	(87.7)	(45.2)
Revenue recognition	b	18.4	24.6	14.3
Gain on sale of properties, net	c	78.3	–	57.4
Provision for diminution in value	d	(36.4)	–	–
Loss on early debt retirement	e	–	20.0	–
Gain on sale of Barrick shares	f	–	–	(24.5)
Income taxes	g	(85.8)	18.9	147.6
Income under U.S. GAAP before extraordinary item		118.2	69.8	679.1
Loss on early debt retirement	c and e	(7.6)	(20.0)	–
Net income under U.S. GAAP		$ 110.6	49.8	679.1
Per share amounts				
Income per share before extraordinary item				
Basic		$ 0.77	0.45	4.44
Diluted		$ 0.76	0.44	4.32
Net income per share				
Basic		$ 0.72	0.32	4.44
Diluted		$ 0.71	0.32	4.32
Weighted average number of shares outstanding (in millions)				
Basic		154.2	155.3	153.0
Diluted		155.2	157.7	157.3

The principal differences itemized above are all non-cash in nature.

ii. **Consolidated Statements of Comprehensive Income**

U.S. GAAP requires that a Statement of Comprehensive Income be presented reporting the non-shareholder related transactions that have affected shareholders' equity during the period.

For the years ended December 31	Note	2000	1999	1998
Net income under U.S. GAAP		$ 110.6	49.8	679.1
Other comprehensive income items, before tax				
Foreign currency translation adjustment (Note 8d)		(44.5)	(11.3)	(40.1)
Foreign currency translation recognized in net income (Note 8d)		71.4	–	8.5
Unrealized (loss) gain on investment in Barrick	f	(39.7)	(54.9)	45.2
Unrealized losses on other investments	f	(4.2)	–	–
Realized gains included in net income on investment in Barrick	f	–	–	(253.0)
Comprehensive income (loss) before tax		93.6	(16.4)	439.7
Tax on other comprehensive income items		14.7	18.4	68.5
Comprehensive income		$ 108.3	2.0	508.2

iii. **Consolidated Balance Sheets**

The incorporation of the differences in accounting principles into the consolidated balance sheets as at December 31, 2000 and 1999 results in the following balance sheets presented under U.S. GAAP.

	2000	1999
Properties	$ 6,141.5	7,352.2
Cash and short-term investments	348.1	263.3
Investments	658.7	657.2
Other assets	406.8	432.9
	$ 7,555.1	8,705.6
Long-term debt	$ 3,610.6	4,495.0
Exchangeable debentures	890.9	890.9
Accounts payable and accrued liabilities	646.7	487.7
Future income taxes	185.6	495.0
Shareholders' equity	2,221.3	2,337.0
	$ 7,555.1	8,705.6

The following is a reconciliation of Shareholders' equity incorporating the differences between Canadian and U.S. GAAP.

	Note	2000	1999
Shareholders' equity under Canadian GAAP		$ 2,125.0	2,225.1
Cumulative adjustments to net income		(148.5)	(36.8)
Canadian GAAP change in accounting policy (Note 7)		125.3	–
Cumulative effect on comprehensive income			
Investment in Barrick	f	122.3	148.7
Other investments	f	(2.8)	–
Shareholders' equity under U.S. GAAP		$ 2,221.3	2,337.0

iv. **Notes to the Differences from U.S. Accounting Principles**

a. **Building depreciation** – Rental properties are depreciated using the sinking fund method whereas under U.S. GAAP, rental properties are depreciated on a straight-line basis, generally over 40 years. In computing depreciation on a straight-line basis, an estimated salvage value of 5% of building cost is used and a "half year" convention is applied to additions.

b. **Revenue recognition** – Rental revenue from an operating lease is recognized as income over the term of the lease as it becomes due. Increases in rent are included in revenue as earned as they are designed to account for the impact of inflation. In addition, where the Corporation grants tenant allowances in the form of free rent, an imputed rental revenue is recognized over the rent free period with the corresponding tenant allowance amortized over the term of the lease. Under U.S. GAAP, the straight-line method is used whereby the known amount of cash to be received under the lease is taken into income over the term of the lease, inclusive of free rent periods. The difference between the amount recorded under the straight-line method and the rent received or due is recorded in "Other Assets." The following provides supplementary information summarizing the components of the U.S. GAAP revenue recognition adjustment only for the U.S. office portfolio, which constitutes the majority of the current year's adjustment:

For the years ended December 31	2000	1999	1998
Straight-line rent adjustment	$ 27.5	33.0	18.3
Imputed free rent	(11.6)	(11.6)	(7.2)
	$ 15.9	21.4	11.1

c. **Gain on sale of properties, net** – The additional accumulated depreciation, related to rental properties disposed of during 2000, reduced their net book value under U.S. GAAP by $87.9 million (1999 – $ nil, 1998 – $75.7 million) resulting in a corresponding increase in the gain on disposition of rental properties.

Under U.S. GAAP, the gain on sale of properties during 2000 included the amounts receivable relating to the straight-line rent adjustment, net of unamortized free rent tenant allowances, resulting in a decrease in the gain on sale of $22.1 million (1999 – $ nil, 1998 – $18.3 million).

Under Canadian GAAP, the gain on the sale of properties during 2000 is net of debt prepayment expenses of approximately $12.5 million. Under U.S. GAAP, these costs must be reclassified as an extraordinary item, net of taxes of $4.9 million.

d. **Provision for diminution in value** – The additional accumulated depreciation under U.S. GAAP, related to rental properties for which the Corporation recorded a provision for diminution in value in 2000, reduced their net book value by $3.0 million (1999 and 1998 – $ nil), resulting in a decrease in the required provision.

In addition, the provision for diminution in value in 2000 was increased by $39.4 million as the result of a difference in carrying values, under U.S. GAAP, of certain properties. This difference resulted from adjustments to the carrying amounts of assets acquired whose tax bases, at acquisition date, differed from the assigned values for accounting purposes. The tax effect of these basis differences was added to the carrying value of the associated properties on acquisition for U.S. GAAP purposes.

e. **Loss on early debt retirement (Note 6)** – Under U.S. GAAP, prepayment premiums, the write-off of unamortized deferred financing costs and other costs for the early retirement of debt are considered extraordinary items. Under Canadian GAAP, such items are included in net income.

f. **Investments** – For U.S. GAAP purposes, the investment in Barrick and certain building telecommunication and service provider investments are considered as investments "available for sale" and are required to be carried at market value.

The quoted market value for the investment in Barrick was approximately $496.3 million at December 31, 2000 (1999 – $536.0 million, 1998 – $590.9 million), resulting in a cumulative increase to shareholders' equity of $122.3 million (1999 – $148.7 million, 1998 – $185.2 million), net of a future tax liability of $61.5 million (1999 – $74.8 million, 1998 – $93.2 million). The U.S. GAAP book value of the Barrick shares includes a 1994 dilution gain based on the U.S. GAAP method of valuing shares issued as consideration. This difference reduced the gain on sale of Barrick shares in 1998 by $24.5 million. At December 31, 2000, the U.S. GAAP book value of the Barrick shares includes $26.3 million (1999 and 1998 – $26.3 million) in respect of this dilution gain.

The quoted market values for certain building telecommunication and service provider investments amounted to approximately $2.7 million at December 31, 2000, resulting in a cumulative decrease to shareholders' equity of $2.8 million, net of a future tax recovery of $1.4 million.

Changes in quoted market value of available for sale investments are reflected in comprehensive income. When a realization takes place, the gain or loss is removed from comprehensive income and recorded in net income.

g. **Income taxes** – Under Canadian GAAP effective January 1, 2000 (Note 7a), the Corporation follows the liability method of accounting for future income taxes (formerly deferred income taxes). The Canadian standard is now substantially similar to the U.S. GAAP standard for future income taxes. However, in accordance with the transitional provisions available under Canadian GAAP, the Corporation chose not to restate prior period financial statements on implementation of the standard, including the carrying amounts of assets acquired whose tax bases, at acquisition date, differed from the assigned values for accounting purposes. As permitted by the transitional provisions, an amount of $125.3 million was charged to retained earnings for Canadian GAAP in respect of future income tax liabilities recorded on implementation.

In accordance with the Canadian standard, current and future income tax assets and liabilities of the Corporation have been measured using income tax rates that are considered to be substantively enacted. Under U.S. GAAP, the current and future income tax assets and liabilities of the Corporation are required to be measured at enacted rates. This results in a net decrease, under U.S. GAAP, in income taxes for the year of $4.7 million (1999 and 1998 – $ nil).

In addition, under U.S. GAAP THUSA's net future tax liability at December 31, 2000 was lower than the corresponding liability under Canadian GAAP resulting in a reduced credit to the income statement upon THUSA's conversion to REIT status (Note 7e).

The future tax (assets) liabilities of the Corporation under U.S. GAAP are as follows:

	2000	1999
Canada and other		
Operating and capital losses	$ (75.8)	(62.6)
Investments, properties and related assets	163.1	199.2
Unremitted earnings of REIT subsidiary	37.1	–
	124.4	136.6
United States		
Operating losses	(20.9)	(107.3)
Properties and related assets	82.1	465.7
	61.2	358.4
	$ 185.6	495.0

h. Proportionate consolidation – The accounts of all incorporated and unincorporated joint ventures and partnerships are proportionately consolidated according to the Corporation's ownership interest. Under U.S. GAAP, proportionate consolidation is not permitted for joint ventures and the cost, equity or full consolidation methods of accounting must be followed, as appropriate. As permitted by the United States Securities and Exchange Commission, the effects of this difference in accounting principles are not reflected above.

i. Accounting for stock options (Note 15) – The Corporation accounts for certain of its stock option plans using the intrinsic value method. U.S. GAAP requires companies that follow this method to disclose the cost of stock compensation awards at their fair value, at the date the award is granted. The weighted average fair value of the options issued by the Corporation during 2000 is $6.18 per option (1999 – $4.97 per option, 1998 – $5.73 per option) based on a Black-Scholes model using the following assumptions: a 3–4 year expected term; a 28% to 30% expected volatility (1999 – 26% to 27%, 1998 – 25% to 27%); an expected dividend consistent with the current year actual dividend per share; and, an expected interest rate of 4.9% to 6.8% (1999 – 4.8% to 6.0%, 1998 – 4.2% to 5.7%). Under U.S. GAAP, the pro forma cost of stock option compensation for the period ending December 31, 2000 would be $4.1 million (1999 – $17.2 million, 1998 – $14.7 million). This would result in net income of $106.5 million or net income of $0.69 per share (1999 – net income of $32.6 million or net income of $0.21 per share, 1998 – net income of $664.4 million or net income of $4.34 per share).

j. Recent accounting pronouncements – In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective for the Corporation's 2001 fiscal year. SFAS 133, as amended by SFAS 138, requires the recognition of the fair value of all derivative instruments on the balance sheet. For U.S. GAAP purposes, the Corporation will adopt SFAS 133 and SFAS 138, effective January 1, 2001.

The Corporation anticipates that, as a result of adoption of these standards, it will record adjustments primarily related to its investment in Barrick shares and its exchangeable debentures. Under Canadian GAAP, the Corporation accounts for the exchangeable debentures as a hedge of changes in the fair value of the underlying Barrick shares with no requirement to fair value the components through net income. Under the new U.S. standards, the fair value of the Barrick shares and the offsetting derivative embedded in the exchangeable debentures are recorded at their fair value through net income.

On January 1, 2001, the fair value of the embedded derivative was approximately $188 million and would be recorded as part of the transitional adjustment to net income. Prior to the adoption of the standard, all changes to the value of the Barrick shares were recorded in comprehensive income. Upon implementation, a loss of approximately $379 million ($252 million, net of tax) would be removed from comprehensive income and recorded as part of the transitional adjustment to net income, as this represents the change in fair value of the Barrick shares subsequent to the issuance of the exchangeable debentures. In addition, the book value of the exchangeable debentures would be reduced by approximately $207 million to $684 million, which represents the face value of the debentures. This reduction would also be recorded as a component of the transitional adjustment to net income.

The transitional adjustments described above would result in a cumulative increase to net income of approximately $16 million ($11 million, net of tax). The Corporation anticipates that changes subsequent to January 1, 2001 in the fair value of the embedded derivative and the Barrick shares will substantially offset. The ultimate impact of this standard on future earnings and financial position of the Corporation is dependent upon hedging strategies and balance sheet composition after January 1, 2001.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Corporation's consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the Board of Directors and management of the Corporation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information.

The Corporation has developed and maintains a system of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information. The system is monitored by the Corporation's internal audit department and reviewed by the Audit Committee of the Board of Directors. The Corporation's chief internal auditor evaluates and reports on the effectiveness of the control system both to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants. Their report outlines the scope of their audits and opinion on the consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of TrizecHahn Corporation

We have audited the consolidated balance sheets of TrizecHahn Corporation as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
February 2, 2001

COMMENTS BY AUDITORS FOR UNITED STATES READERS ON CANADA–UNITED STATES REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) where there is a change in accounting principles that has a material effect on the comparability of the Corporation's consolidated financial statements, such as the changes described in Notes 7 and 14 to the consolidated financial statements. Our report to the shareholders dated February 2, 2001 is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the consolidated financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
February 2, 2001

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Contact

Dennis C. Fabro
Director, Capital Markets

Stock Exchange Listings

New York
Toronto

Trading Symbol

TZH

Index Listings

TSE 300
TSE Real Estate Index
Wilshire Real Estate Securities Index

Shares (millions)

Outstanding at December 31, 2000	
Subordinate Voting	140.7
Multiple Voting	7.5
Total	148.2
Weighted average	
Basic	154.2
Diluted – treasury method	155.2

Closing Price of Shares

At December 31, 2000	
New York Stock Exchange	U.S.$15.13
The Toronto Stock Exchange	C$23.25

Form 40-F

The annual report on Form 40-F is filed with the United States Securities and Exchange Commission. This report will be made available to shareholders, without charge, upon written request to the Corporate Secretary of TrizecHahn.

Transfer Agent and Registrar

Investors are encouraged to contact our Transfer Agent and Registrar, CIBC Mellon Trust Company, for information regarding their security holdings at:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Answerline™: (416) 643-5500
Toll free throughout North America: (800) 387-0825
E-mail: inquiries@cibcmellon.ca

Annual Meeting

The Annual & Special Meeting of Shareholders will be held on Monday, May 7, 2001 at 11:00 a.m. in the Canadian Room, The Fairmont Royal York, 100 Front Street West, Toronto, Ontario.

Share Trading by Quarter

2000	New York Stock Exchange Share Volume (millions)	High	Low	The Toronto Stock Exchange Share Volume (millions)	High	Low
First	14.6	U.S.$17.38	U.S.$12.75	13.1	C$25.75	C$18.50
Second	16.2	18.19	14.63	14.5	26.85	21.25
Third	20.7	18.50	14.63	16.0	27.50	21.75
Fourth	18.5	17.19	13.25	11.8	25.80	20.10
For the year	70.0	18.50	12.75	55.4	27.50	18.50
1999						
First	9.9	U.S.$21.88	U.S.$18.06	16.8	C$32.60	C$27.00
Second	11.3	22.81	18.06	16.7	33.40	26.90
Third	7.6	20.56	18.19	20.7	30.60	27.50
Fourth	10.5	20.06	15.50	11.0	29.60	22.85
For the year	39.3	22.81	15.50	65.2	33.40	22.85
1998						
First	10.4	U.S.$25.13	U.S.$21.75	18.2	C$36.00	C$31.20
Second	8.9	24.69	20.50	14.5	34.85	29.90
Third	14.0	21.50	16.63	18.6	34.95	25.65
Fourth	7.1	21.63	16.13	15.9	32.95	25.25
For the year	40.4	25.13	16.13	67.2	36.00	25.25
1997						
First	14.0	U.S.$24.88	U.S.$21.38	15.5	C$33.50	C$29.10
Second	13.4	22.88	20.00	17.7	32.10	27.85
Third	14.8	25.81	20.75	16.9	37.80	28.75
Fourth	7.9	27.56	22.25	11.2	35.90	32.20
For the year	50.1	27.56	20.00	61.3	37.80	27.85

DIRECTORS AND OFFICERS

Directors

Howard L. Beck, Q.C. (a) (b)
Toronto, Ontario
Chairman
Wescam Inc.

C. William D. Birchall (c)
Nassau, Bahamas
Vice Chairman
TrizecHahn Corporation

John A. (Ian) Craig
Ottawa, Ontario
Corporate Director

Willard J. L'Heureux
Budapest, Hungary
President and CEO
TriGránit Development Corporation

Christopher Mackenzie (c)
Toronto, Ontario
Chief Executive Officer,
President and
Deputy Chairman
TrizecHahn Corporation

The Right Honourable Brian Mulroney (b)
Montreal, Quebec
Senior Partner
Ogilvy Renault

Anthony Munk
Toronto, Ontario
Vice President
Onex Corporation

Peter Munk (c)
Toronto, Ontario
Chairman
TrizecHahn Corporation

Joseph L. Rotman (a)
Toronto, Ontario
Executive Chairman
Clairvest Group Inc.

Glenn J. Rufrano (b) (c)
New York, New York
President and
Chief Executive Officer
New Plan Excel Realty Trust, Inc.

Peter C.C. Sidebottom
London, England
Managing Director, Europe

Richard M. Thomson (a)
Toronto, Ontario
Corporate Director

Gregory C. Wilkins (c)
Toronto, Ontario
Vice Chairman
TrizecHahn Corporation

(a) Member of the Audit Committee
(b) Member of the Compensation, Nominating and Corporate Governance Committee
(c) Member of the Executive Committee

Officers

Peter Munk
Chairman

Christopher Mackenzie
Chief Executive Officer,
President and
Deputy Chairman

Gregory C. Wilkins
Vice Chairman

Jason A.J. Morsink
Executive Vice President,
Technology Strategy

Richard J. Steets
Executive Vice President,
Corporate Development

J. Douglas Bradley
Managing Director,
Corporate Development

Robin A. Campbell
Senior Vice President,
General Counsel

Colin J. Chapin
Senior Vice President,
Taxation

Luigi L. Favit
Senior Vice President and
Controller

Norman W.V. Purves
Senior Vice President,
Development

Robert B. Wickham
Senior Vice President, Finance

Peter M. Ballon
Vice President,
Corporate Development

Theodore W. Chivers
Vice President,
Human Resources

Robert H.B. McFarlane
Vice President,
Chief Internal Auditor

Joanne E. Ranger
Vice President and
Assistant Controller

Michael R. Laplante
Treasurer

Holli G. Salazar
Corporate Secretary

CORPORATE INFORMATION

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Antonio A. Bismonte
Executive Vice President

Brian K. Lipson
Executive Vice President

William R.C. Tresham
Executive Vice President

North American Development
TrizecHahn Development Corporation
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Telephone: (858) 546-1001

Lee H. Wagman
President

Andrew A.L. Blair
Executive Vice President and Chief Operating Officer

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Forward-Looking Statements

This Annual Report to Shareholders of the Corporation, including Management's Discussion and Analysis set forth herein, contains forward-looking statements relating to the Corporation's business and financial outlook, which are based on the Corporation's current expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Corporation undertakes no obligation to update any such statement to reflect new information, the occurrence of future events or circumstances or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. Included among these factors are changes in general economic conditions, including changes in the economic conditions affecting industries in which our principal tenants compete, economic, technological and business conditions specific to the Internet industry which impact demand by tenants of our technology center business, our ability to timely lease or re-lease space at current or anticipated rents, our ability to achieve economies of scale over time, the demand for tenant services beyond those traditionally provided by landlords, changes in interest rates, changes in operating costs, changes in environmental laws and regulations and contamination events, the occurrence of uninsured or underinsured events, our ability to attract and retain high quality personnel at a reasonable cost in a highly competitive labor environment, future demand for our debt and equity securities, our ability to refinance our debt on reasonable terms at maturity, our ability to complete current and future development projects on time and on schedule, the possibility that income tax treaties may be renegotiated, with a resulting increase in the withholding taxes applicable to our U.S. REIT, market conditions in existence at the time we sell assets, and joint venture and partnership risks. Such factors include those set forth in more detail in the Risk Factors section in the Corporation's Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission and the Corporation's Annual Information Form filed with the Canadian securities regulators.

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